D 8523A

World News Nakasone

resignation clears way for Uno

The resignation from Japan's ruling Liberal Democratic Party of former Prime Minister Yasuhiro Nakasone appears to clear the way for Mr Sosuke Uno, the Foreign Minister, to take over as premier. Mr Nakasone said he felt a

Mr Nakasone sam ne rem a "strong responsibility" for the Recruit bribery scandal, the subject of an 11-month official investigation which ended with unexpected suddenness yester-

Wright set to go

Republicans waging an ethics crusade in the US House of Representatives are this week expected to complete the rour of the Democratic leadership by forcing the resignation of Jim-Wright, the Speaker, Page

Alfonsin fixes rate President Raúl Alfonsín of . Argentina announced a series of emergency economic mea-sures, including a return to a single exchange rate fixed and regulated by the govern-ment. Page 4

Chief to be chosen Members of Hong Kong's executive and legislative councils

meet today to try to agree on a post-1997 model for the selection of the territory's chief executive. Page 7 300 Turks expelled Around 300 ethnic Turks

arrived in Istanbul after being expelled from Bulgaria follow-ing attacks on ethnic protestors by the police and army which left an unkown number of the protestors dead and injured. Page 4

Palme charges Christer Pettersson: a 43 year old Swede with a record of crime and drug abuse, was charged with the premedita murder of Prime Minister Olof

Syrian tribute

1.1.1

Syria has paid a warm tribute to the US Administration, after criticism of Israel voiced last week by Mr James Baker, Secretary of State. Page 7

Jalalabad siege

An African military spokesma reported at least 460 people were killed in a new surge of fighting around the besieged eastern cities of Jalalabad and

Chemicals attack Four bombs exploded in north-

ern Italy causing damage but no injuries, in an apparently co-ordinated attack on the country's biggest chemicals group, Montedison Spa; by extremist ecologists.

Submarine cialms Details of the alleged suppression of a damaging report which inquired into alleged irregularities in the purchase of German submarines for the

Indian Navy were published in India. Page 4 UK dock strike likely Britain's main transport union

ems certain to call a national dock strike to start next week if port employers fall to get a court injunction to prevent the action. Page 12

Port Sudan to close Sudan announced that it will close its only seaport, Port Sudan on the Red Sea, to departing travellers for the month of June in a move to combat smuggling.

Cyclone kills 42 A cyclone that hit India's north east coast killed 42 people, injured hundreds and left tens of thousands homeless in Ben-

gal and Orissa states. Missiles found Cypriot police have found two SAM-7 ground-to-air missiles and their launchers near the runway of Larnaca interna-tional airport.

Hong Kong auction

Land at a Hong Kong govern-ment auction sold at higher prices than expected despite predictions that political turmoil in neighbouring China would send property prices

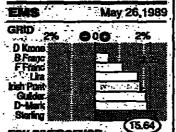
Underwriters pull out of Hong Kong

rights issue UNREST in China led to the abandonment of one of Hong Kong's biggest fundraising exercises when underwriters withdrew from a HK\$3.865m

withdrew from a HK\$3.865m (\$501m) one for one rights issue launched seven weeks ago by Hopewell Holdings, a prominent property and construction group. Page 24

EUROPEAN Monetary System: The Italian lira improved quite sharply against its EMS partners last week; the Bank of Italy was active buying both D-Marks and French francs. The D-Mark's fall against the

The D-Mark's fall against the dollar early in the week helped the lower placed members of the system to improve, because funds are switched from the D-Mark to the dollar to a greater extent than with other currencies.



ECU DIVERGENCE 000

Limit .. ECU Parity Day Position

The chart shows the two con-The chart shows the too con-straints on European Maneury System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the tira) may move more than 24, percent. The laws chart gives each currency's divergence from the "central

European currencies. Currencies, Page 35 STOCKBROKERS, company secretaries and registrars are mounting a rebellion which is likely to block London stock exchange proposals for computerising the tortuous and costly paper based process of settling

rency Unit (ECU), a basket of

and registering share bargains. SUN Microsystems, world der in computer workstations, has licensed its technology to Toshiba of Japan, leading Japanese personal

computer manufacturer. Background, Page 21 GENCOR, South Africa's second largest mining house, is to raise R1.5bn (\$355m) in new equity capital in anticipation of several new mining and

energy projects. Page 24 CHASE MANHATTAN added significantly to its credit card business by purchasing a \$1.1bn portfolio of Visa and Mastercard accounts from Independence One Bank of South Dakota, the largest ever deal of its kind. Page 23

THE International Stock Exchange granted permission for a new kind of warrant to be listed in London, thus enhancing the product's appeal to certain types of investors. Page 24

JAPAN'S four largest non-life insurance companies made record profits thanks to an increase in policy sales and good weather, which limited the growth in claims. Page 24

CHARLES Haughey, Irish Prime Minister, opened the new Irish Futures and Options Exchange (Ifox). Page 24 CONTINENTAL, West German tyre company, is planning a further expansion in its inter-national activities through the purchase of a majority stake in Nivis Tyre of Sweden, a move which will roughly dou-ble its share of the Scandina-vian market. Page 24

PREMIUM Income at Allianz. leading West German insurance group, rose by 13 per cent to DM29.2hm (\$14.7km) boosted beneficial exchange rate

factors. Page 24 THE DOLLAR was confined to a narrow range in quiet trading. The US unit was fixed in Frankfurt at DM2.0101 after ing earlier in Tokyo at

DM2.0130, Page 35 SHARE prices closed lower in Tokyo where the Nikkei Index ended 31 points down at 34,160.83 from 34,191.62. Wall St was closed for the Memorial Day holiday and London for the Spring Bank Holiday.

Bush wins Nato support for arms cuts proposals

PRESIDENT George Bush yesterday won broad support from Nato allies for far reaching proposals to reduce conventional arms in Europe presented at the heads of government summit in Brus-

Mr Bush's new plan, only decided upon in the last 10 days, is intended to challenge Mr Mikhail Gorbachev, the Soviet leader, by proposing a 20 per cent cut in US forces in Burope and Inviting Moscow to make much more drastic cuts to reach the same level of 275,000 foreign-based troops. As a further conciliatory

move, both towards the Soviet Union and allies like West Germany and Britain, Mr Bush announced the end of the "no exceptions" rule on restricting western technology exports to the Soviet Union. Several members of the Cocom, the vetting agency for such sales, have been pressing the US to ease the rule imposed after the Soviet invasion of Afghanistan

Mr Bush also proposed a sharply accelerated timetable for the conventional arms talks in Vienna, seeking agreement within the next year and implementation by 1992 to 1993. This is four years earlier than the Soviets had proposed and would bring forward the time when Nato might engage in talks on abort-range nuclear

missiles.

After outlining his plan an enthusiastic Mr Bush said the US was going on the offence with a proposal that is both, and text whether the Society. and tests whether the Soviet Union will move towards bal-ance, or whether they insist on retaining an unacceptable conventional force imbalance."

welcomed by other Nato leaders. Chancellor Helmut Kohl of ers. Chancelor leimit kont of a West Germany talked of a "far-sighted step with which he has once more impressively affirmed the US leadership." Mrs Margaret Thatcher, the British Prime Minister, said the initiative went "to the heart" of Soviet conventional

arms superiority.
President François Mitterrand of France warmly wel-comed the proposals, but both France and Britain expressed concern that reductions in Nato aircraft should not affect their fighters equipped to carry nuclear weapons.

Meanwhile, foreign ministers were expected to meet late into

last night to resolve the deadlock over Nato policy over short-range nuclear missiles. Without a breakthrough they will be unable to adopt the "comprehensive concept," laying down the framework for the alliance's future arms con-

trol and armaments policy.

The US asked its allies to join in preparing the proposal for formal presentation at the Vienna talks "at the earliest possible date."

The proposals broke unexpected new ground in bringing combat aircraft and helicopters within the scope of western proposals. Nato has so far resisted Warsaw Pact pressure to negotiate on air power, argu-ing that the issues were too complex. However, these nego-tiations would come only after agreement on targets for maximum numbers of tanks, artillery and troop carriers, the weapons which Nato considers

In a bid to resolve Nato's bit-terest split, Mr Bush said that force reductions.



negotiate on short-range mis-

only after agreement was reached and after some implementation of conventional

The main sticking points over short-range missiles have been the timing of negotiations and the question of whether all such weapons might eventually be scrapped, the so-called

Continued on Page 20

the US was "not unwilling to

US trade policies under attack

By Peter Norman, Economics Correspondent

trading policies and call into question Washington's commit-ment in the battle against inflation at top-level meetings in Paris this week.

The foreign, trade and finance ministers of the 24-nation Organisation for Economic Co-operation and Development tomorrow begin their annual ministerial meeting under the shadow of last week's US Super 301 decisions which singled out Japan for supposedly unfair trade practices under

THE MAIN trading partners of last year's US Trade Act. accorded such treatment - the other two named countries being Brazil and India. However, the US decision to put four European Community countries - Italy, Greece, Spain and Portugal - on a special watch list for possible future action in the intellectual property area has propelled the Super 301 issue to the top of

The idea that the US should resort to hilateral negotiations with supposedly unfair traders

THE MAIN trading partners of last year's US Trade Act: under the Trade Act has raised most important member countries us are expected to launch a bitter attack on the country's member state to have been ing system and the rules of the Because Super 301 decisions General Agreement on Tariffs and Trade could be under-

Throughout the 1970s and 1980s, the industrialised countries that form the OECD consistently declared that their interests were best served by the maintenance of multilateral trade and support of Gatt. Not for the first time, however, many of the US's trading partners see a fragile element of world economic co-operation threatened by the OECD's

provide for three years of bilateral negotiations between the US and offending trading part ners, it is feared that they could become a running sore in international trade relations with the ever present threat of encouraging the US Congress to increased protectionism. Last week, Mr David de Pury, Switzerland's chief trade

negotiator, said he feared that the Uruguay Round of multi-Continued on Page 20 Editorial comment, Page 18

China likely to dismiss Zhao as party chief

By Robert Thomson in Peking

DENG XIAOPING, China's paramount leader, has pres-ented senior Communist party officials with evidence of alleged political crimes by Zhao Ziyang, who is widely expected to be dismissed as Communist party chief later

this week.

Among the charges against
Zhao is that of using the student protest movement which has swept the country to further his own political career.

The piling up of evidence against the party leader – including tapped telephone conversations – appears to reflect Deng's wish that the formal program of Theo have at least purging of Zhao have at least an appearance of unanimity

and legality.
Criticism of Zhao at party
meetings over the weekend
included references to his
"bourgeois tendencies" and to
his departure from "collective leadership."
One document listed specific

offences such as taking sick leave when martial law was announced on May 19, and praising the students in public

Other materials presented by Deng include pamphlets dis-tributed by Zhao staff and colleagues to the students, which give details of the bitter inter-nal struggle and highlight Zhao's support for the stu-

The students in Peking's Tiananmen Square were erecting a makeshift Statue of Libring a makesom statute of Lan-erty early this morning in a gesture of continuing defiance. Their numbers had fallen to about 5,000, but tens of thou-sands of passers by stopped to watch the work in progress.

Over the weekend, the pro-testors marched through the city with mocking portraits of IA Peng, the Prime Minister, in Nazi uniform.

Li Peng was with his family and military friends at a base in the Fragrant Hills to the west of Peking, near the sum-China's emperors sought refuge from the seasonal heat. It was appropriate that Li

spent part of the weekend in the company of the military, as the People's Liberation Army (PLA) has virtually determined the outcome of this phase of China's political battle.

Deng is said to have panicked when he heard rumours of coup plans late last month, and ordered a crackdown, Continued on Page 20

to lead the struggle against Deng later told associates that he had been misinformed about the alleged coup, but was still reliant on sympathetic factions within the PLA and six elderly comrades. Crucial to the success of the

campaign has been Chen Yun, 83, an elderly economist and sometime antagonist of Deng, who told the paramount leader that "if we take one step back, we will have to take two

steps."
Chen, who has disagreed with Zhao over economics and ideology, chaired a meeting on Friday of the Central Advisory Commission. The Commission has no formal power, but it gave the first public notice of the "secret plot" supposedly orchestrated by the party chief.

Zhao knew his career was over 10 days ago when he made a dramatic early morning call on students in Tiananmen Square and uttered the pro-phetic words: "We have come too late."

In part, he was apologising, but he was making the more important point that Deng and other elderly revolutionaries had won centrol of the country's fate. Zhao's visit is now cited as one of Zhao's "antiparty" activities. It came as no surprise that Li Xiannian, the former presi-

dent and the conservative leader of another informal advisory body, condemned the "very small number of people who plotted behind the scenes, fabricated rumours, instigated agitation and deliberately aggravated the situation." Apart from staff in Zhao's

office, that "small number of people" include his former secretary, Bao Tong, now the head of a political research institute which the elders have labelled as "counter-revolutionary." Bao is blamed for inciting

the students by leaking internal documents damaging to Li ng and Deng Xiaoping for acting as a campaign manager for Zhao Ziyang. One leaked document which

incensed Deng and is blamed on Bao gave a point-by-point description of the arguments between Zhao and conservative leaders.

For the moment, the political

struggle is nearing settlement, but the military infighting remains a volatile variable. while attempting to build an Satisfying the urge for politi-alliance of retired, aged leaders cal change, Page 19

Public forces deputies to yield Supreme Soviet seat to Yeltsin

By Quentin Peel and Edward Mortimer in Moscow

THE SOVIET Congress of People's Deputies bowed to popular anger last night and elected Mr Boris Yeltsin to a seat in the new Supreme Soviet, reversing a decision taken only two days earlier. All weekend, the newly-elected deputies had been inundated with telephone calls and cables, in Moscow especially but also from across the coun-

try, expressing dismay and confusion at the apparent determination of a majority in the Congress to stick to its old ideas and methods in debating and electing its officials.

The volte face followed another stormy day in the Soviet assembly, with Mr Mikhail Gorbachev facing angry

criticism from reformers for his chairmanship, and the Communist Party bureaucracy, including the ruling Politburo and the KGB, coming in for outspoken attacks.
Failure to elect Mr Yeltsin,
who won a landslide victory in
the Soviet capital two months

radicals, to the Supreme Soviet, the country's new full-time parliament, was the key issue which threatened to

rigger a popular revolt. The former Moscow Commu-The former Moscow Commu-nist Party chief, who won more than 6m votes in the election in spite of a hostile campaign by his former party colleagues, got the largest number of nega-tive votes in the Congress on Saturday. His demise was denounced

at rallies in Moscow on Saturday and Sunday, and support-ers called for a protest strike in the capital today. Yet the obvious embarrass ment of Mr Gorbachev and the party leadership was saved by the decision of a successful

candidate to the Supreme Soviet - Mr Alexei Kazannick, from the Siberian city of Omsk to withdraw in Mr Yeltsin's Dissatisfaction with the election of the Supreme Soviet was mounting, and by tomorrow the consequences might

have been unpredictable," Mr

"This indicates that the Congress is becoming more demo-cratic and if this line continues there are more and more hopes that it will justify the aspira-tions linked with it."

Thousands of supporters were gathering last night in Moscow's Pushkin Square for an impromptu, and unsanctioned, demonstration in support of their hero.

The latest development followed a day of fresh revela-tions and a stormy battle over the election of Mr Gorbachev's close friend and nominee, Mr Anatoly Lukyanov, to be his first deputy president in the new parliament.

His confirmation only came after attacks from both progressives and nationalists for his shoddy organisation of the Congress and his part in approving what they called anti-democratic legislation on demonstrations and crimes

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ago, and other Moscow-based CONTENTS

INTERVIEW



Martin Sorrell, chief executive of WPP Group, found his unflappability served him well in his company's recent takeov bid for the Oglivy Group, the world's fifth-largest advertis-ing agency Page 44

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eats Why product pricing is an arbi-

Bush plan for arms cuts gives West the initiative

THE BUSH PLAN for cuts in conventional forces - more far-reaching than expected and involving a one-lifth reduction in US troop strength in Europe manages to kill three birds

with one stone:

1. It takes the US and its allies off the defensive in the initiative battle that began when Mr Mikhail Gorbachev announced deep cuts in Soviet manpower and armour at the United Nations in December. Nato has been pinned in its corner ever

2. It provides President Bush with a convenient way of appeasing Congress, where pressure has been mounting to cut back on the cost to the US of European defence.

3. As a by-product, it gives a signal to the West Germans and other Continental allies that if the need for US pueles.

that, if the need for US nuclear warheads is open to question, then US troop levels in Europe are not sacrosanct either.

The initiative and the allies' positive reaction to it mark a change of context since the last Nato summit in March last year, which stated clearly that the US presence "must and will be maintained."

West Germany, where the bulk of US service personnel -some 245,000 - are based, warmly greeted the initiative. But a Bonn government spokesman, said the Soviet Union would have to go a long way towards reducing its strength before the substance

of the US presence could be called into question. Chancellor Helmut Kohl went out of his way at the summit to thank "our American friends" for their commit-ment. The US military presence, he told Allied leaders, would remain indispensable for Europe, as well as for the US

The US plan takes the challenge of the Conventional Armed Forces in Europe (CFE) negotiations by the horns, by proposing an ultra-rapid agreement - six months to one year - and reductions by 1992-93. This is four years ahead of the deadline the Warsaw Pact has

It also makes an about-turn on previous Nato policy by agreeing to include air power – land-based combat aircraft and helicopters - in the talks. The target would be 15 per cent below current Nato levels, which by Nato's own figures, stand at 4,500 combat aircraft and 2,600 helicopters. This compares, again by Nato's reckoning, with Warsaw Pact totals of 8,250 and 3,700. The Warsaw Pact has proposed reducing numbers to 1,500 "strike" aircraft (excluding air defence fighters) and 1,700 combat helicopters. It also wants to cut Nato strength in carrier-based aircraft.

Up to now, Nato has argued that difficulties in counting and defining these weapons would bog down progress in

other key areas Under the Bush proposals, future cuts in tanks, artillery and armoured troop carriers the core of any potential inva-sion force - would still have to be agreed first. But the propsals ease the way for agreement by bridging the remaining gap on target numbers in these categories. Ceilings for artillery pieces would be from 16,500 (the Nato target) to 24,000 (the Warsaw Pact target), "depending on the resolution of definitional questions." The latest Warsaw Pact propos-als coincided with Nato's on figures of 20,000 tanks for each side - a two-thirds cut for the Pact - and 28,000 troop carri-

President Bush, strongly backed by Mrs Margaraet Thatcher, the British Prime Minister, insisted that the equipment should be not only withdrawn but destroyed, to stop Soviet equipment being massed behind the Ural moun-

The third important switch in US policy is to bring troop levels into the discussions, proposing that the Soviet Union match a reduced US level of 275,000 troops on foreign post-

This would be a 19 per cent reduction on the current total of 340,000 US service personnel, including those assigned to the Sixth Fleet in the Mediterranean. The US says Moscow has nean. The US says Moscow has 600,000 troops in Eastern Europe. Up to now the only troop proposals had come from the Warsaw Pact, suggesting a mutual limit of 350,000 stationed in Europe enterdetioned in Europe outside

rational boundaries.

The proposed US cut follows repeated demands in Congress to limit US spending on European defence, reckoned to be at least \$100bn and by some esti-mates \$160bn, out of a \$300bn annual US defence budget.

These demands have recently focused on withdrawal of troops assigned to US intermediate-range missile bases which are being eliminated under the 1987 INF treaty: some 9,000 for Pershing-2 mis-siles and 16,000 for Cruise mis-

The figure can easily be brought up to 30,000 by including air force personnel attached to the US base at Torrejon, near Madrid, where the 401st Tactical Fighter Wing of nuclear-capable F-16 fighters is due in any case to move out. The fighter wing has been

cited as an obvious sacrifice

the US could make.

President goes onto offensive

By Peter Riddell in

PRESIDENT George Bush could hardly hide his giee yesterday when he emerged from the Nato summit to tell reporters about his new conventional arms proposal.

Adopting his gung-ho ex-Yale baseball captain's style, he exclaimed: "Here we go now, on the offence".

Mr Bush's exbilaration is understandable since he feels that at last the US has captured the initiative not only within the Western alliance but also from the Soviet Union. For all his denials of being ngaged in a public relations battle, the president said his plan was intended to challenge Mr Mikhail Gorbachev and put him to the test.

mm to the test.

Mr Bush's excitement reflects the speed with which the plan has been put together.

With talks on conventional force reductions having started in Vienna as recently as March 9, the administration had believed it would be premature to make a radical revision so soon, despite detailed reserva-

But the pressure of events forced a change, only agreed in principle when the president met his defence and foreign policy advisers in Maine 10 days ago. Only then, the Defence Department presented ideas on conventional arms. Details only began to leak out as he left Washington for Rome Domestically, the president has been stung by criticism he is being too reactive at a time of major changes. Internationally, he has been faced by the probability that divisions within the alliance would dominate the summit and mar his first trip to Europe as president. Then came the Soviet acceptance of the general Western negotiating position.

UK, W Germany soften positions on SNF

speech at the summit.

effective and in a requisite

state", that they must be mod-ernised sooner or later, even if

a final decision to manufacture

and deploy them has been put off until 1992, under an earlier

decision by Nato's defence

By Robert Mauthner, Diplomatic Correspondent

BOTH BRITAIN and West Germany yesterday softened their positions on the controversial subject of short-range nuclear weapons in Europe and appeared to be preparing the way to a possible compro-

It was still not clear, however, whether an agreement could be reached during the two-day Nato summit meeting

Mrs Margaret Thatcher, the British Prime Minister, made clear that, on certain well-defined conditions, she was pre-pared eventually to envisage negotiations on the reduction of short-range nuclear forces (SNF), as proposed by the Soviet Union and West Ger-

many.
Only one or two weeks ago, Mrs Thatcher was adamant that Britain would not accept the German demand for early negotiations with the Soviet Union on the reduction of SNF, let alone a "third zero", the jargon for the complete abolition of these tactical nuclear

Yesterday, she responded to the strenuous efforts being made by the US to find a compromise, by teiling her 15 part-ners that Nato should not enter negotiations "unless and until" it was satisfied that tan-gible reductions of conventional weapons had been

This meant not only that SNF negotiations must be pre-ceded by the conclusion of an agreement in Vienna on wideranging cuts in conventional forces, but also by the imple-mentation of many of these reductions. As for the "third sero", Mrs Thatcher continued to insist that this remained

unacceptable. However, by the time it was agreed at lunchtime that a

high-level working group should be set up to try to find a formula that would bridge the Both Mrs Thatcher and Mr Both Mrs Thatcher and Mr Kohl warmly welcomed President George Bush's proposal to cut US troops in Europe by 30 per cent, though only a few months ago such a suggestion would probably have caused an outery in the camp of the Europe gap between the US and Britain, on the one side, and West Germany on the other, Mrs Thatcher had conceded at least that negotiations on outcry in the camp of the Euro-pean members of Nath. reducing SNF could take place in principle if certain condi-

tions were fulfilled. In the past, the smallest hint of a reduction in US forces has The search for a compromise thus concentrated on whether always been taken as a sign of a weakening of Washington's commitment to the defence of the Germans were prepared to accept a formula which ruled out the complete abolition of

Mr Helmut Kohl, the West Yesterday, however, Mrs Thatcher said the president's proposal went "to the heart of the the Soviet superlority in conventional arms." German Chancellor, also adopted a more flexible stand, which could open the door to a compromise. Mr Kohl had said, in a radio interview on the eve of the Nato meeting, that a third zero was conceivable in

Even so, the prime minister, like President François Mitterrand of France, emphasised that Nato should maintain its dual-capability aircraft, which can fire either conventional or nuclear warheads, and she also insisted that all the conventional weaponry to be cut by the abstract, but he appeared to rule it out in his opening "The Eastern superiority that we continue to face must be countered by means of military forces that reliably prevent any war, be it nuclear of conventional." he said. "We tional weaponry to be cut by the Warsaw Pact should be destroyed and not just be with drawn behind the Ural Mounthus need, today and for the foreseeable future, an appropri-ate mix of conventional nuclear forces that are kept

Mr Kohl, for his pert, effu-sively congratulated Mr Bush on his "far-sighted step, with which he has once more impressively affirmed US lead-ership." effective and in the requisite That declaration seemed to recognise that any negotiations with the Soviet Union on SNI must leave some of these tactical nuclear weapons in place in Europe, at least in the short term. Mr Kohl also appeared to accept, in his statement that nuclear forces "must be kept

The West German leader clearly sees in the US president's proposal a means to defuse some of the domestic criticism that his government is not doing enough to promote disarmament, as well as mak-ing a possible compromise on SNF more palatable to German public opinion.

Diplomats at Vienna talks surprised

By Judy Dempacy in

NATO diplomats at the Vienna negotiations en Conventional Forces in Europe (CFE) were yesterday very surprised fol-lowing new proposals made by President Bush at the Nato summit in Brussels for refuc-

ing conventional weapons.

At the same time, initial reactions by the Warsaw Pact to his unexpected proposals

were welcomed.

Mr Bush's proposals go beyond those presented by Nato at the CFE talks last March which envisaged discussing three categories of weapons in the early phases of the CFE negotiations. These include tanks, artillery and armoured troop carriers.

include tanks, artillery and armoured troop carriers.

But yesterday, in what seems to be an attempt both to speed up the CFE talks and for Nate to regain the initiative, Mr Bush appeared more than willing to discuss three extra categories.

FINANCIAL TIMES

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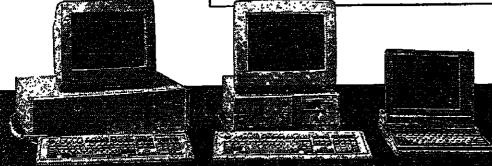
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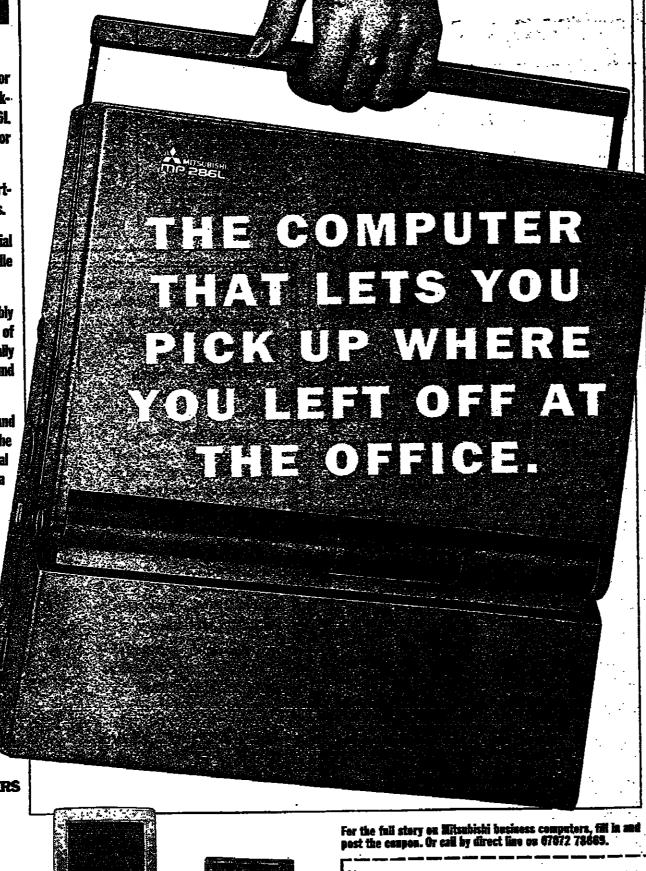
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OVERSEAS NEWS

Euro-election may determine Kohl's fate

Poll will serve as a test of the Bonn coalition's fortunes, David Marsh reports

Diplomak at Vienna

talks

Surprised

about Western Europe now considerably cooler than in the 1970s, the poll will serve above all as a test for the fortunes of the centre right Bonn coalition. After a string of regional election setbacks in the past two years for the ruling Christian Democrats, another bad result for Mr Kohl would trigger a fum move on the right to unseat him before the next general election in December 1990.

general election in December 1990.

On balance, however, barring a disaster of unforeseen proportions on June 18, Mr Kohl seems likely to slog on to the December 1990 battle.

After being regarded for years as European minded people, the West Germans are taking an increasingly grudging view of the Community. Impatience, too, has come to the surface. The electoral turnout will serve as the best indicator will serve as the best indicator of new German lack of interest in Europe. The turnout, 66 per cent in 1979 and 56.8 per cent

EST GERMAN voters in next month's European elections will have a hand not only in choosing the next Strasbourg parliament but in deciding how long Chancellor Helmut Kohl will remain in effice.

With West Germany's ardour about Western Europe now voters that Mr Kohl guarantees considerably cooler than in the The election posters of the main parties are anlivened only by a new liking for below-the-belt polemics with rivals. The campaign slogan for the Christian Democrats strikes a firsh note by assuring veters that Mr Kohl guarantees policies in the German Interest.

For most of the three decades since the signing of the Treaty of Rome, it could be taken for granted that German and Western European interests coincided. Now, after German restiveness about EC policies on beer purity, the environment, regional support, industrial composition and social legislation, this is no longer an automatic accump onger an automatic assumption. Like all other members, West Germany, the Community's principal paymaster, has to assure voters it is getting value for money.

value for money Christian Democrat officials admit their more aggressive slogan has been prompted partly by the advocacy of "Ger-many first" by far-right group-

ings. Unider its leader, Mr Gerhard National Frey, the German National Union is mounting a vehement campaign for the June poll. in 1984, is widely expected to fail further, but may be feed on popular mease about increased by simultaneous growing German payments to municipal elections in the Brassels. Under last year's

Brussels package on financing programmes aimed to accompany the 1992 Single Market, the Federal Republic's annual bidgetary contributions are expected to rise by 1992 to around DM26bn from DM18bn last warr.

EUROPEAN **ELECTIONS**

The West Germans are worried their high standards in areas ranging from air pollu-tion to labour-management co-operation will be watered down by European harmonisation.
In European monetary collaboration, Bonn is adopting a cautious stance in spite of the enthusiasm for monetary union of Mr Hans-Dietrich Genscher, the Foreign Minister. The popular worry appears to be that hard-won German stability will be frittered away by too much consorting with the poorer and less inflation-minded states of southern

AT SHERATON LITTLE THINGS MEAN A LOT

Europe. German reservations about the post-1992 programme are underlined in the latest opinion polls sponsored by the European Commission. Based on surveys at the end of 1988 throughout the Community, they show that only 10 per cent of Germans said they viewed "very hopefully" the 1992 date. This compared with 19 per cent for the replies of all member

The proportion of Germans saying they thought their country benefited from Community membership was 55 per cent. Only three other members - Denmark (54 per cent), the UK (47 per cent) and Spain (27 per cent) - had lower scores. The proportions saying they thought their countries gained thought their countries gained from the Community were 79 per cent in Iraland, 75 per cent in Italy, 69 per cent in Portugal, 68 per cent in the Netherlands and Greece, 67 per cent in Luxembourg, 64 per cent in Belgium and 58 per cent in France. The German reticence takes little account of the takes little account of the nearly two thirds of the Federal Republic's foreign trade surplus of DM128bn last year which came from trade with

Community.

The far right is treating the elections as a dress rehearsal for December 1990. Signs are that the movement is at last

the other 11 members of the

being seriously treated by the media.

One Bonn cabinet minister regrets that right wing sympathisers on their way to election rallies step through a barrage of abuse from "anti-Fascist" demonstrators.

Their electoral importance lies less in whether or not the German ultras succeed in winning parliamentary representation in Strasbourg, far more in how many votes they steal from the mainstream parties on the right.

The Christian Democrats and their Bavarian partner, the Christian Social Union, are trailing in the opinion polls One Bonn cabinet minister

trailing in the opinion polls with about 36 per cent support from the electorate, against 40 per cent for the opposition Social Democrats. This compares with the 44 per cent gained by the right in the January 1987 general election, when the Social Democrats

Scored only 37 per cent.

Pundits recall that the electoral showing of the far right National Democratic Party—

even though it falled to win the 5 per cent necessary to pro-pel it into the Bundestag – was crucial in ejecting the Christian Democrats from 20 years of power at the federal level in the general elections of 1969. On election night of June 18, the voters will be thinking less about Brussels in 1993, far more about Bonn in 1991.

For Länder, Brussels poses both threat and opportunity

By David Goodhart in Bonn

WEST Germany's 11 Länder (states) have always had their reservations about the EC. Despite enormous sovereign power within the Federal Republic they are simply ignored by EC Law which recognises only unitary states. This has meant the Federal

Government usurping many Lander powers, for example in education or cultural matters, in its dealings with Brussels. The Länder have clawed back some rights to information and consultation from Bonn and have become adept at lobbying Brussels directly when they feel their interests are seriously threatened.

Mr Lothar Späth, Prime Minister of Baden-Württemberg, even enthuses about a "Europe of Regions".
His fast-growth region has

set up special relationships with Rhone-Alpes (France), Lombardy (Italy) and Catalonia (Spain) which he calls the "four motors of Europe". He says that all four regions

fear that thinking in Brussels is still too geared towards sup-porting old industries like coal, steel and agriculture, and not enough towards things like linking universities to indus-

try.
This is not merely altruistic high-tech thinking, regions

AT SHERATON LITTLE THINGS MEAN A LOT . AT SHERATON LITTLE THINGS MEAN A LOT . AT SHERATON LITTLE THINGS MEAN A LOT

qualify for more R&D support from EC if they link in with others across national borders.
But from most Länder capitals, the EC has been seen as much of a threat as an opportunity, particularly since Brus-seis developed an interest in

competition policy.
The Competition Directorate has been snooping around not only in Germany's national regional aid programme (drawn up and paid for by Länder and Federal Government) but also in the Lander's own supplementary funds. Last year's so-called Bange-mann-Sutherland compromise

(named after the former Bonn Economics Minister and Brussels Competition Commissioner) was meant to reduce from 46 per cent to 38 per cent the proportion of the population living in areas qualifying for regional aid.

According to one exasperated Competition official in Brussels the fierce resistance of the Länder has kept the fig-

ure over 40 per cent. These "European" issues will have virtually no effect on this month's European election but the running battles between the Länder and Brussels may well have contributed to a national cooling-off towards

The impact of EC initiatives is usually more mixed than the Laender let on. Take the case of Essen, the old industrial town on the Ruhr.

Being in a major coal-productive and a major coal-productive research.

cing area, Essen will suffer from the EC's proposal to ban subsidies to the coal industry

But that does not automati-cally crank-up hostility to the EC when the local Social Dem-ocrat politicians concentrate on blaming the Christian Democrats in Bonn for failing to stand up to Brussels.

on the positive side, EC enthusiasts in Essen point to the fact that the town has just been granted Objective 2 status by the EC's European Regional Development Fund.

That means it classifies as

an area of industrial decline requiring help
However, Essen has recently
stopped being covered by
either national or Lander regional aid. This creates a

complication. Essen will receive no EC aid unless it also qualifies for aid within Germany but to put it back on the national list would further breach the 38 per cent

compromise. Some European issues will never make the stuff of election campaigns.

European go-ahead for new Boeing jet

By Raymond Snoddy

EUROPEAN aviation authorities have cleared the new long-range Boeing jumbo jet for commercial service while a programme of modifications is carried out.

cations is carried our.

The agreement has been reached following talks in Paris last week between Boeing and the aviation authorisms. ties of four countries — the . UK. West Germany, France and the Netherlands — which have been pressing for improvements to the design of the 747-409. the 747-409.

The compromise means that

the four European airlines which have ordered 747-400s, British Airways, Air France, Lufthansa and KLM Royal

agreed to continue werking with the European authorities to develop what it called satisfactory design and testing solutions to meet their require-

"In turn, the European authorities have agreed to accept 747-400s for commercial service from their respective

airlines," Boeing said.
Britain's Civil Aviation
Authority confirmed yesterday it was satisfied with the arrangement reached with Boeing regarding modifications to the building standard of the

The Authority would in turn proceed with the certification of the 747-400 for introduction into UK service this summer. British Airways has ordered 19 of the aircraft, which have a range of 8,000 miles without refuelling, at a cost of more

The first BA aircraft is due

THE telecommunications administrations from 13 Euro-

pean countries have agreed to set up a special network for testing advanced communica-

require transmitting huge amounts of information.

The sorts of applications which might be tested include

facilities for foreign exchange dealers to see moving pictures of each other while trading electronically; for experts to diagnose faults in aircraft from

remote locations; and for doc-tors to examine patients' x-rays ver a telecommunications The trial will help Europe's telecommunications operators

decide whether there is sufficient demand for advanced applications and whether they should invest in fully fledged

networks. The total cost of establishing advanced net-works across Europe would be

applications -- which

By Hugo Dixon

to make its maiden flight today at Everett, the Boeing produc-tion cenntre in Washington

state, in preparation for deliv-ery at the end of June. The group of European aviation authories warned Boeing some months ago the 747-400 did not meet their latest safety standards and that airworthiness certificates might be withheld until changes were

Since the Turkish Airlines DC-10 crash in Paris in 1980. when a a cargo door failed leading to decompression, the collapse of a flight floor and the severing of control wires, European aviation authorites have insisted on improved Dutch Airlines, will now be altered to introduce the new aircraft craft on scheduled services this upper deck flooring and symmer. Seattle based wing greater separation of control manufacturer, said in a state ment yesterday that it had a "derivative" of existing jum-

wiring Boeing regards the 747-400 as bos and therefore not a new aircraft automatically subject to the latest European safety standards. The 747-400 which has longer wings than existing jumbos will carry 410 passan-gers and be able to fly all the world's major air routes nonstop with the exception of

northern Europe to Australia. The 747-400 has already received airworthiness certifi cation from the Federal Aviation Authority in the US and is already in service with North West Airlines of the US and Singapore Airlines.

Today Singapore Airlines launches the first scheduled 747-400 service into London's Heathrow Airport - a non-stop service that should take 13 hours - one hour 50 minutes less than the current service.

Together the four European nations have ordered a total of 55 aircraft, about one quarter of Boeing's order book.

The trial network, called the European Broadband Intercon-

nection Trial (Ebit) will be

capable of switching traffic at two megabits a second, about

30 times the current speed. Although the operators' pres-

ent networks are not designed to cope with such a load, they

believe it can be done by improvising. The Ebit network is designed to run in parallel with the European Comission's Race

programme, which is pioneering into advanced communications. The idea is that applications developed in Race would be tried out on Ebit.

The 13 countries which last

month signed a memorandum of understanding to establish Ebit are: Belgium, Denmark,

Finland, France, West Ger-many, Ireland, Italy, Nether-lands, Portugal, Spain, Sweden, Switzerland and the UK.

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OVERSEAS NEWS

Bulgaria expels 300 ethnic Turks

By Jim Bodgener in Ankara

ABOUT 300 ethnic Turks arrived in Istanbul at the weekend after being expelled from Bulgaria. Their ejection followed attacks a week before on Turkish ethnic protestors by the Bulgarian police and army, which left an unkown number of the protestors dead and injured.

The refugees included prominent members of the two Bulgarian Turkish movements, the Democratic Union and the Independent Civil Rights Defence Association. These have sprung up in protest against the campaign since 1984 by Bulgaria to force its 1.5m-2m-strong Turkish minority to renounce its ethnic

rights.
The refugees corroborated reports that several demonstra-tors had died. Tanks were driven into a peaceful protest march on May 20, in the town of Kaolinovo, and the marchers were clubbed with rifle butts, according to Mr Alattin Sadik Memedogiu, who was a provin-cial leader of the Independent Civil Rights Defence Association. One demonstrator died, and up to 30 were injured, he

Silent majority dominates Soviet Congress

of the top party leaders, from

the majority.
On Saturday, it seemed as though the old-style majority

had finally overstepped the mark when, in full view of an

enormous television audience, it rejected Mr Yeltzin, the man with a popular mandate from more than 6m Muscovites, for a seat in the new Supreme

By Quentin Peel in Moscow

THE SOVIET Congress of People's Deputies, President Mikhail Gorbachev's attempt to insert some popular democracy into the Communist sys-tem in his country, revealed itself in its true colours this

Its decisions are decided by a huge, usually silent conserva-tive majority, which dominates the public debate, although members were occasionally stirred into fury by a highly articulate, progressive minor-

ity.

The decision to reject Mr Boris Yeltsin, the man with the biggest popular mandate in the country, and a string of Moscow radicals, for positions in the Supreme Soviet, showed that the writing was on the

The change of heart vesterday, whereby another seat for Mr Yeltsin was found when Mr Gorbachev said that was a good idea, showed just how docile the majority remains. Suddenly the old labels of Bolshevik and Menshevik – the majority group and the minority group — look like coming back into vogue. Dr Yuri Afanasyev, the his-torian and arch-reformer, described the two sides, in a

passionate outburst on Satur-day, as the "democratic minority", condemned to a subordinate role, and "the aggressive, subservient majority.

The dangers of a party split

Anatoly Lukyanov makes a point for the Soviet conservatives

are very real. Dr Afanasyev brought all the radicals in the assembly to their feet when he denounced the new parliament as a "Stal-inist-Brezhnevite Supreme Soviet" - in style, if not in actual personalities.

Mr Gorbachev himself steers an unsteady middle course between the two, giving the radicals their platform, but allowing the party's lobby fod-der to dictate the results. The result is an extraordinary combination of unprece-

Soviet. Candidate after candidate from the party apparatus was approved by the same, old 2,000-odd votes in favour, with dented outspokenness from the radicals - and truculent inter-ventions, rude heckling, coma handful against. Only the outspoken progressives - Mr Yeltsin and a string of others hined with traditional eulogies

defeated. Every one who had spoken out at the congress was savaged in the poll.

In truth, the Moscow radicals had committed political suicide in the cause of democ-racy, when they decided to present 55 candidates for 29 its, while every other group in the country nominated almost exactly the right num-ber of names for seats avail-

As for Mr Yeltsin, his demise seemed quite clearly designed by the party apparatus: The Russian Federation, with 11 seats to fill in the new Soviet of Netionalities allowed 12 of Nationalities, allowed 12 names to go forward, just enough for the former Moscow party chief to get the chop. He came bottom of the poll, with 964 votes against him. The only consolation was that second bottom - with 761 negative votes - was the only Politburo member of the listed dozen, Mr Vitaly Vorotnikov.

Those election results appeared to fly in the face of the whole new electoral trend in the Soviet Union, party functionaries having been defeated in the popular vote across the country earlier this year, and radicals seach as Mr Yeltsin and his colleagues, having triumphed in the hig cities of Moscow, Leningrad and Kiev against the party

The result of the vote in

ent as the weekend wore on: First a demonstration by 5,000 people outside the Luzhniki Stadium in Moscow on Saturday night, followed by another of about 50,000 on Sunday night. For the first time, Mr Gorbachev himself came in for some savage criticism: "A majority of the people backs a minority in the congress," the

banners cried. Most worrying for the depu-ties themselves, however, was a flood of telegrammes and telephone calls from across the country, where Mr Yeltsin — albeit undeservedly maybe has become a symbol for oppo-sition to party privilege and

"The people are not happy with the work we are doing," Mr Yuri Barashkov, from Archangelsk, declared.

"The outcome of the secret-ballot for the Supreme Soviet was not met by full under-standing," a deputy from Donets declared, by way of a magnificent understatement. That was when Mr Alexel

Kazamick from Omsk stepped in to save the day — offering to give up his seat in the new standing parliament, the Supreme Soviet, for Mr Yeltsin — and Mr Gorbachev approved.

Even so, most of the Moscow

progressives and their supporters — a growing but solitary group — remain out in the

Polish minister aims to harvest farmers' votes

By Christopher Boblaski, recently in Lomza

THE LUSH green farming country of Lonza is one of the few places where the Polish authorities have a chance of winning points in the country's June 4 parliamentary elections.

elections.

It is here in an overwhelmingly rural district that Mr Dominic Jastrzebski, the dynamic 47-year-old Foreign Trade Minister, is challenging a brace of Solidarity candidates

a brace of Solidarity candidates in the free elections for the Senate. Should he fail, the future of the Government could come into question.

Mr Jastrzebski is indeed running as if his job depended on it and he has been spending four days a week away from his ministry seeking to convince Lomiza's 240,000 voters he is worth backing.

He comes from peasant stock and was born in a small village a few miles from Lomiza.

"Ninety-five per cent of my

"Ninety-five per cent of my family still live here." he tells meetings after driving up in his blue Mercedes.

it's a point which could pick It's a point which could rick up votes at polls, especially as the provinces in these elections are looking critically at the candidates' backgrounds for links with the constituencies in which they are standing.

His Solidarity opponents, Mr. Lech Roziol, a local lawyer, and Mr Richard Reiss, a Catholic politician from Warsaw, are ratiled, as not only does Mr. Jastrzebski have the right roots but he is also promising

roots but he is also promising to bring prosperity to his home

"I am Lomza's chance for the nam Lonza's chance for the fiture," he promises, like the Western politicians he identifies with and was able to observe when he worked in London for six years in the late 70s in a Polish timber trading

company.

But for the voters he embodies 44 years of misrule by the party and he knows he is battling against the tide. He says. It wanted to do this to ee if I could break the wave of

Mr Jastrzebski also wanta no win as he seems to assume that only those politicans who can win elections will count for much in the party from now on. At times it even looks as if he wants to build a political base for himself in Samue its specificacif himself in Samue its specificacif himself in Samue its

But there is the Catholic Church. "If the Catholic Church wasn't backing Solidarity up to the hilt, they'd get no more than 20-30 per cent," he said bitterly of the 86 parishes in the constituency.

Mr Jastrzebski does admit

though to his membership of the Communist Party at meetings but there is little trace of

ings but there is little trace of socialist ideology and more than a dash of right-wing appeal in his speeches.

Wherever he goes, the minister is telling the farmers of Lomza, where 96 per cent of the land is in private hands, that they should look to the private sector and not to the Government to solve their everyday problems.

Government to solve their everyday problems.

The road to prosperity for the province, the minister repeats is through private food processing business and export through joint ventures with Western capital. Indeed he is promising to arrange multi-million dollar credits from Italy for the district and a trade mission from Louiza is due in Rome this week.

The line is leading to accusations from Solidarity that he is using his position as Trade

using his position as Trade Minister to favour one prov-

He is also coming under He is also coming under attack for being fascinated by the West. "Mr Jastrzebski has seen senators in the West and liked what he saw," Mr Richard Kraszewski, a farmers' Solidarity candidate for parliament in Lomza told the parishioners of Miastkowo at a meeting in the churchyard after a Corpus Christi service. "He wants to make mere farm "He wants to make mere farm labourers and servants out of abouters and servants out on the Mr. Kraszewski warned.
But Louiza is ripe for development. The average size of the farms in the province is 12 hectares — large by Polish standards. Many locals have

also worked in the West and deline savings are high, poten-tially previding the capital which lift Jast-sebald wants to mobiles to rebuild the private service infrastructure Polish Mr Jastrzebski also wants fo

Mr Jastrzebski's campaign is the more modern one with its menties of concrete improve-ments in the not too distant fearer. It stands a chance of contract But its could be misities and almost religious refer-

Argentine currency rate frozen

By Gary Mead in Buenos Aires

PRESIDENT Ratil Alfonsin of Argentina has announced a series of emergency economic measures, including a return to a single exchange rate fixed and regulated by the govern-

In the middle of a growing crisis of confidence and stability, the president, who has just over six months left in office, made a national broadcast on television and radio late on Sunday, the third such direct appeal this month. In his half-hour speech he accused unnamed individuals of financial "speculation" and said the country's present crisis was due to their unpatriotic behav-

decided to return to a fixed exchange rate, after less than one month of a free-floating rate, as part of a package intended to stabilise the econony.

Other measures include export duties of 20 per cent for industrial goods and 30 per cent for agricultural products; a 4 per cent tax on the first

He said his government has

average 40 per cent increase this month); and a six month suspension of tax-relief chemes for industrial promo-Mr Alfonsín added that a new set of tax laws will be sent to Congress for approval this

sale of agricultural land; sus-pension of all state-financed

public works; threats of legal action against price "specula-tion"; further increases in pub-

lic service tarrifs (following an

The emergency measures come at one of the lowest points in Argentina's economy this century. Inflation this month is likely to exceed 70 per cent and the currency, the austral, has alid since January from 18 to the dollar to 220 a week ago, when trading was frozen by government decree. The decision to fix exchange rates is likely to see the resurgence of black market trading in fernion was a partie the gence of black market trading in foreign currency, despite the president's promise to enforce legal action against such trad-ing, now illicit.

Indian dailies claim report on submarines 'suppressed' By K.K. Sharma in New Delhi

DETAILS claiming suppression of a damaging report of a parliamentary committee which inquired into alleged irregular-ities in the purchase of Ger-man submarines for the indian Navy were published in the Navy were published in the States Indian Express and The States man over the weekend.

The disclosures are expected the states annualition to

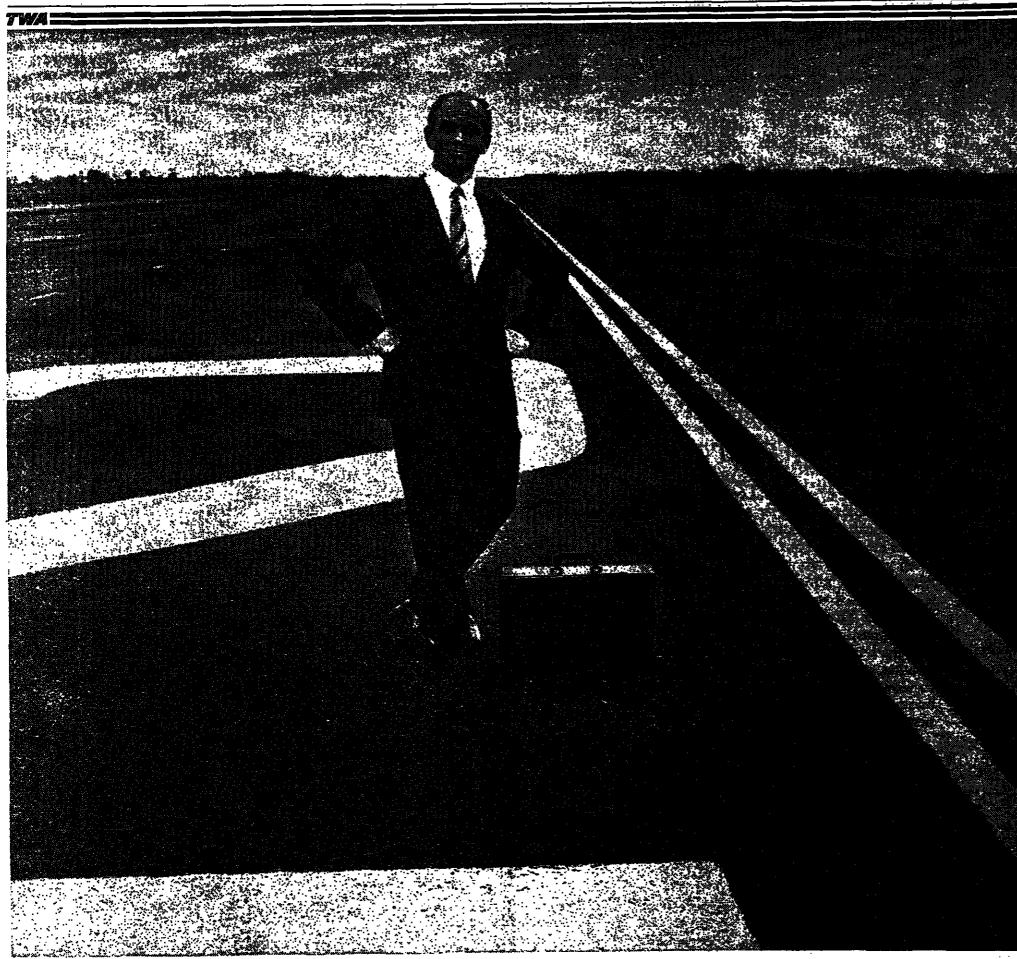
opponents of Mr Rajiy Gandhi, India's Prime Minister, who has faced attacks based on alle. gations concerning pay offs in defence deals to friends and associates.

In the unpublished draft report, Parliament's Public Accounts Committee concluded that the recommenda-tions of the Ministry of Defence and the indian Cabinet to buy four West German submarines - in preference to an

offer from Kockum, a Swedish company - were based on con-siderations "other than techni-cal and financial evaluation" of he submarines.

The draft report said that the choice of the submarines was prompted by an "outrageous mistake in financial evaluation against the interest of the country, due to which selection could not be made on proper material."

Although the contract for the submarines was signed the submarines was signed during the prime ministership of the late Mrs Indira Gandhi, mother of Mr Rajiv Gandhi, the controversy exploded when Mr VP. Singh resigned in 1987 as Defence Minister following criticism of his decision to inquire into commissions that had allegedly been paid for the had allegedly been paid for the



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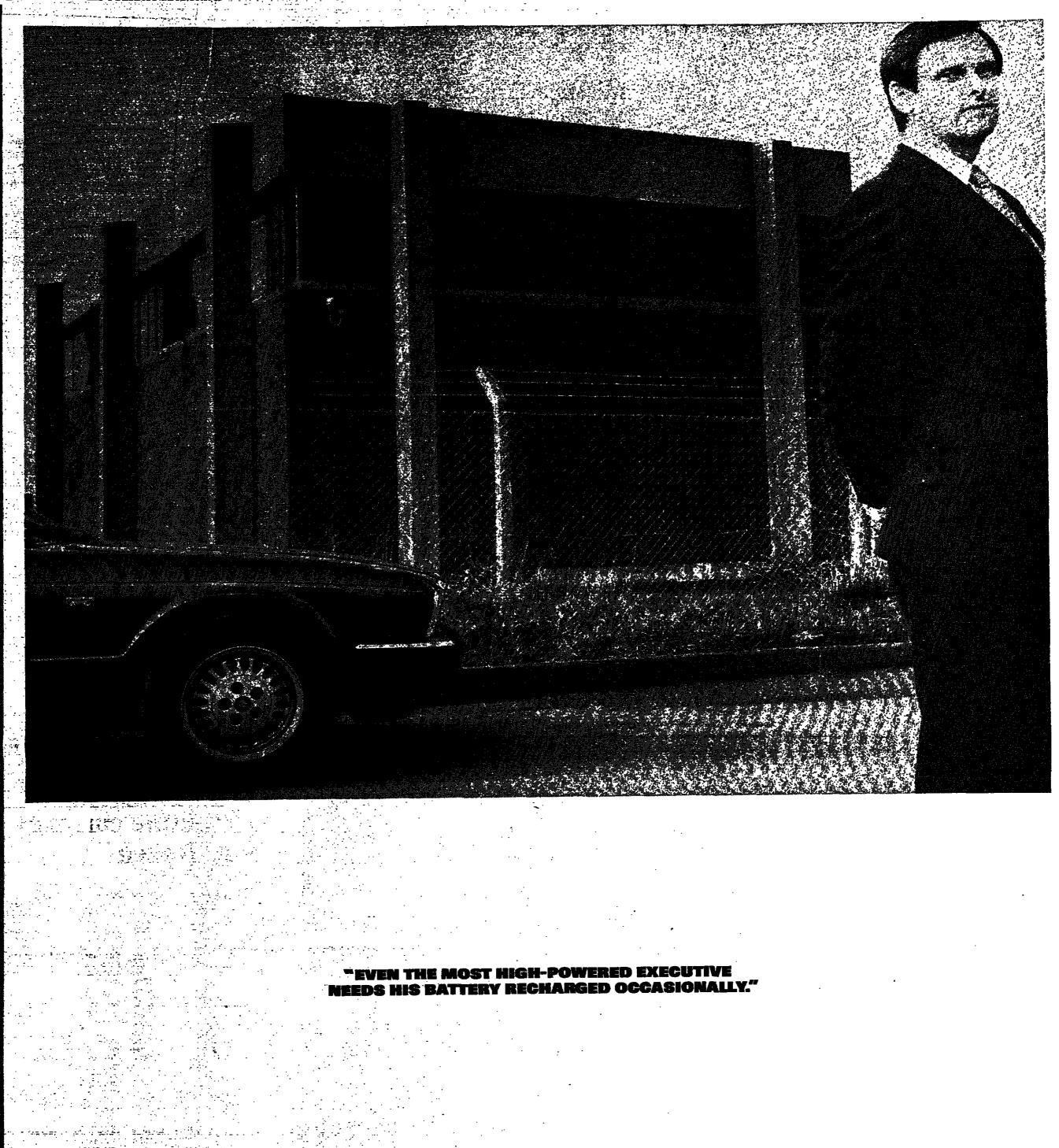
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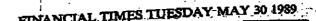
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Ban Jades Maggard Capt 46 # 1

FEAR has gripped China in the

press can scarcely be defeated. "At least the students have learned about the real world," said one Chinese professor

While Zhao Ziyang, the party general-secretary, and other relative liberals such as Vice-Premier Tian Jiyun, have not yet been given the final coup de grace, it is probably just a matter of time before the party dinosaurs dismiss them.

For nearly 100 years thoughtful Chinese have been trying to bring some kind of modernisa-tion to their ancient but impoverished culture. Today the party elders are playing the role of the aged empress down ger of the late 19th century, who executed as many modernisers as she could catch in order to preserve her own posi-tion. Since then, China has

I, a 21-year-old physics student, stood beside a bright red

loud-hailer and a couple of

demonstration posters in a scruffy dormitory of Shang-hai's Fudan University. "It is

failure but we will have won in

peoples' hearts – and we can only only expect to get democ-racy step by step," she said.

turnoil, a word used by Iii.
Peng the hardline Prime Min-ister, who also compared their

democracy movement with the cultural revolution.

"Tarmoil is a disgusting term – this time we have had

a movement which wants to keep China stable and help it develop and become prosper-

ous, not cause turmoil or chaos," said Xiao Wang. "The cultural revolution was the

result of top leaders using students for their political aims -this time the student move-

ment has not wanted to be a

tool but we do want a different

political system. It is the gov-

ernment that has made tur-moll," said Xiao Yang.

fallen prey to a series of war-

FEAR has gripped China in the wake of the astomishingly liberated student movement of the past six weeks as intellectuals, journalists, civil seivants and other supportess await the retribution that seems certain to follows.

Peksing a generate swait the retribution that seems certain to follows.

Peksing a generate swait the retribution that a greedy and power, have emerged as one to vote yet again for repression. They are determined to preserve China as their own estate," as one student said in Peking's Tianamer Square a week ago.

The mood in Peking has switched from the hope that change to a more liberal society might be effected by popular power to the recognition that a greedy and ambitious Communist Party which controls both the army and the press can scarcely be defeated.

At least the students have

Chinese development is likely to be frozen where it stands, at least for many months. Political reform has been a dead letter for more than a year, as Zhao has fought a losing battle to retain his power as party leader. Economic reform has been frozen since last autumn because of high inflation. In any case, economic reform was constantly sabotaged by interference from conservatives and hardly had a

chance to run smoothly.

The unobtrusive reintegranow seems impossible. Last week's pro-democracy demonstrations in the British territory underline the growing view that it needs much stronger safeguards than are proposed in its mini-constitution, the Basic Law, or in its own political reforms for the next few years, before it reverts to China in1997. The emigration

Students wake to sober reality

the euphoria of a week ago when the spontaneous coun-try-wide student movement,

reduction in militancy amid fears of punishment. First, stu-dents rested over the weekend

comfortable life styles with

television sets and refrigera-tors at home. There were

dreams of a demonstration on

October 1, Liberation Day, and

of rallies at the Asian Games in Peking next year. But punishment was upper

rate of Hong Kong's brightest and best to Canada and else-where seems likely to multiply

It could be argued that, as office is likely to be short. Deng Xiaoping himself is clearly failing, if not in political acumen at least in physical powers. Chen Yun, Po Ino and the rest of the octogenarians who emerged last week to give their support, are frail. The exception is the 60-year-old premier, Li Peng, but he is widely seen simply as a pupper.

united behind Deng, perhaps as a result of his quick trip to Wuhan last week, when he is thought to have demanded, and got, obedience from six out of China's seven regional military commanders. The seventh, Peking, has now fallen

The outlook for China under

Protesters fear punishment, reports John Elliott adjustment and sadness after part will just get a bad job, or the euphoria of a week ago maybe later when they want to go abroad they will not be able to. After our experiences in the cultural revolution, they can do nothing to worry me. I am willing to go to prison - I'll

brilliantly self-regulated and generally peaceful, thought it was heading for victory.

There has been a sudden convert the guards." People started covering their tracks over the weekend, somein another room two post-graduates in their early 30s, - Then many acknowledged defeat, but they still went on a times refusing to act as foreign reporters' interpreters. There were arguments about whether Red Guards in China's cultural defeat, but they still went on a planned boycott of class this week. I hope there is a class tomorrow, I want to 1970s; after they time the class and plest Square and the Bund, iver is a class tomorrow, I want to 1970s; after time time the class poster depicting Life Communist Party member and the past weeks demonstrations find. Peng as a crawling crab was a the past weeks demonstrations focal point, together with an should not be remembered as eight-foot plastic model of the class of the class tomorrow. I want to show I am back, and one communist Party member and the past weeks demonstrations focal point, together with an should not be remembered as eight-foot plastic model of the focal point, together with an eight-foot plastic model of the Statue of Liberty. university left a couple of weeks early for their homes, saying they would not return

ome students talked of forning a planned work-ers march today, though many complained that workers were not prepared to strike and endanger their increasingly Parents who had not wanted their offspring to suffer a repeat of their own punish-ment in the Cultural Revolution were relieved that protests Students said they were orig-

inally motivated by disgust that the economic liberalisation of the past ten years had led to mounting official corrup-Private enterprise had wid-

most in many people's minds. "We may get sent home before we graduate." said Mi. "A few ened pay differentials, while they lived in appalling condipeople will be put in prison or tions and, along with lecturers, be sent off to some remote had poor job prospects north-west province," said Their basic political demands have been limited

China's new power-holders are mostly over 30, their term of office is likely to be short.

Furthermore there have been some signs of difference over policy, such as the defence by a number of retired generals last week of the stu-dents as "patriotic". Some Chinese say, too, that Deng is meeting unspecified problems in calling a meeting of the Centrai Committee to endorse the top changes.

Yet the army now appears

President Yang Shangkun is a former senior army chief and still counts among his relatives many important military leaders whose interests are best served by a conservative

what could effectively be a mil-itary dictatorship is bleak

clouded by troubles in Peking

HK debate

in Hong Kong

MEMBERS of Hong Kong's executive and legislative councils meet today to try to agree on a post-1997 model for the selection of the territory's

selection of the territory's chief executive.

They will try to hammer out a consensus ahead of this week's two-day legislative council debate on the basic law, Hong Kong's future miniconstitution, which is currently in a final varied of conrently in a final period of con-

sultation.

Councillors led by lawyer and liberal activist Mr Martin and liberal activist Mr Martin
Lee have been pressing for the
first chief executive, who will
as under the present system
wield considerable powers, to
be chosen by universal suffrage, though others favour an
electoral college process for
the first term at least.
Concern of recent execute in Concern at recent events in

Peking and the groundswell of popular support for the stu-dent protests have already led to a unanimous vote by executive and legislative council members to speed up the time-table for elections to the post-1997 legislature, with a fully directly elected legislature by

the year 2003. At the weekend demonstrators again took to the streets in protest at the crackdown in China. Despite the apparent fizzling out of the student pro-test in Peking and the consolidation of the hardliners' grip on power, local protesters con-tinued to call for democratic reform in China and for Pre-

on Saturday several hundred thousand spectators attended an emotional open-air concert.

A demonstration on Sunday is estimated to have been even bigger than one the previous week, when more than 500,000 of the territory's 5.5m popula-

on the territory's 5.5m popula-tion took to the streets.

The protest march had a car-nival atmosphere, with ban-ners calling for freedom and democracy in China mingling with Chinese flags.

Syria applauds Baker's stricture on Israel

SYRIA HAS paid a warm tribute to the US administration, after criticism of Israel voiced last week by Mr James Baker, Secretary of State, Andrew Gowers reports from Damascus.

Mr Mohammed Salman, Syrian Information Minister, said at the weekend Syria as Washington's call on Israel to give up the idea of annexing territories it occupied in 1967.as "very positive", adding: "We are hearing that for the first time from an American personality. This means the US is refusing Israeli expansionism."

The minister's remarks came after President Hafez Assad of Syria had joined other Arab leaders, at a summit meeting in the Palestine Liberation. Organisation's current peace initiation of Mr Assad and Mr Yassir Arafat, PLO was welcome to send a delegation to Damascus to discuss a full reconciliation between the two sides.

Old vendetta lets Lebanese blood

Andrew Gowers weighs up Damascus-Baghdad rivalry

VERY SO often the Arab world finds its founda-tions shaken and its political resources sapped by an internecine feud of quite baffling ferocity. Such was the case at last

week's Arab summit in Casa-blanca, where the old schism dividing Syria and Iraq erupted into open abuse between the respective presidents, Hafez al-Assad and Saddam Hussein, on the subject of Lebanon. No sooner had the Arab League mended its final fences with Egypt, after a 10-year rift over the Camp David accords with Israel, than a much deeper ven-detta was reasserting itself, with Syria and Iraq entrenched on opposite sides in the latest round of Lebanon's 14-year

The outcome of the bout last week was a victory on points for Syria. But, with the propaganda war between Damascus and Baghdad plumbing new depths, that is almost certainly not the end of the affair.

Rivalry between the two capitals goes back at least to the eighth century AD, when the Abbasid in Baghdad usurped the leadership of the Arab empire from the Umayyads of Damascus. In modern times, the conflict has taken on new and virulent forms, and has brought them close to hostilities more than once.

There is a peculiarly intense personal loathing between Saddam Hussein and Hafez Assad. It is often said that the two men, rulers of neighbouring countries for the best part of 20 years, can scarcely bear to be in the same room together an observation borne out by last week's events. By repute, there is a world of difference

between the two individuals.

However, they match each other in ruthlessness and ambition.

Both desire to play a role in the Arab world disproportionate to their countries demographic mainths that he research.

graphic weight; both possess formidable military machines; both pay lip service to Socialist ideology but have made prag-matic accommodations with private enterprise and conser-vative Arab monarchies. Above all, as befits authori-

tarian rulers, both Hafez Assad and Saddamm Hussein are constantly on their guard, their watchfulness aggravated by the fact that they belong to minority sects in countries riven by powerful sectarian or ethnic traditions. In the case of Iraq, a Sunni Muslim Arab elite presides over a Shia majority and a large and rebellious Kurdish minority. In Syria, power is invested in the Alawite community from the mountainous north, a sect of Islam closer to Shi'ism than to the Sunni branch adhered to

by most Syrians.

Partly for these reasons, each country has tended to blame its domestic political trouble on subversion by the other. Syria accused Iraq of having a hand in an uprising by Sunni fundamentalists in the town of Hama in the early 1980s. Saddam Hussein, for his part, claimed to have uncov-ered a plot against him alleged to have been supported by

Syria shortly after he seized the Iraqi presidency in 1979. What has brought the underlying tension to a head is Sad-dam Hussein's desire to avenge Syria's support for Iran in the Gulf War since the ceasefire last summer. Where better to create trouble for Syria, the Iraqi leader calculated, than and a country where Damascus believes history and geography give it a special role. Since last autumn, Iraq has

been pouring money and arms

including heavy artillery
and tanks — into Beirut's
Christian enclave where Maronite forces oppose the Syrian
military presence in Lebanon.
This year Bachdad has This year, Baghdad has emerged as the principal spon-sor of Gen Michel Aoun, the Christian army commander who is waging a "war of libera-tion" against the Assad regime. Syrian officials claim Iraqi and Israeli military advisers are working with Gen Aoun, and mutter that he possess six missiles - probably Soviet-made Frogs - with the range to strike Damascus. Iraqi

officials make no secret of their aim either to force Syria into a hmliating withdrawal from Lebanon or to goad Hafez Assad into a full-scale intervention in the Christian enclave, which they hope would dent his international prestige. n an intriguing but dis-

torted symmetry, each side claims the other has been weakened by recent events: the Iraqis say Syria's international assets have diminished as a result of the end of the Gulf War and the Palestine Liberation Organisation's overtures to Israel; the Syrians point to recent ructions in Saddam's family and his vicious suppres-sion of the Kurds as evidence of post-war insecurity.

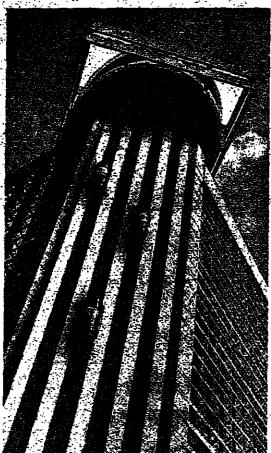
"Assad has lost his Palestin-ian card and his Iranian card." gloated an Iraqi official in Baghdad last night. "Lebanon is the last card he has." "As long as the contradictions within Iraq increase, retorts Mr Mohammed Salman, Syria's Information Minister, "Saddam will try to keep his army busy with outside activi-

It was with the hope of build-ing an Arab consensus for Syr-ian withdrawal that Saddam Hussein went to Casablanca last week. He sems to have miscalculated. The outcome was a bland statement calling for continuing efforts at politi-cal reconciliation between the Lebanese under the auspices of three Arab leaders – from Morocco, Algeria and Saudi Arabia – who are unlikely to create problems for Syria. For the moment, then,

Syria's position does not seem under serious challenge. In alli ance with Lebanese Muslim forces, its 30,000 or more troops control 80 er cent of the territory. It enjoys at least tacit support from Arab powers such as Saudi Arabia, which is anxious to shield itself against Iraq's post-war ambitions. Rather than send troops into the Christian enclave, the Syrians believe they can afford to sit tight until the Lebanese tire of Gen Aoun's adventure: "Syria has no intention to enter this area or to solve Leb anon's problems by military means," says Mr Salman.

On the other hand, Saddam Hussein has invested a lot of prestige in his attempt to make mischief for Syria, and it is hard to see him dropping his support for Lebanon's Maro-nite Christians now. With or without genuine moves towards reform of Lebanon's political system, the battered people of Beirut have reason to fear yet more bloodshed as a result of what is, at least in part, somebody else's war.

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which governs the Existing IDRs. The principal amendments are designed to permit the issue of the New IDRs by the Depositary and to amend references to Existing Shares to include references to the New Shares. Certain other amendments have been made which are of a minor or technical nature. None of the amendments increase or impose fees or charges payable by IDR Holders, nor, in the opinion of the Depositary, are they materially prejudicial to the interests of the IDR Holders. The amendments are therefore effective immediately. The amendments are contained in a supplemental deposit agreement dated 25th May, 1989 (the "Supplemental Deposit Agreement") between the Company and the Depositary. Copies of the Supplemental Deposit Agreement are available at the L-2520 Luxembourg (as the Depositary) and Crédit Suisse at Paradeplatz 8, CH-8001 Zurich (as the Agent of the Depositary) for as long as any Existing Shares or New Shares remain in issue.

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OVERSEAS NEWS

Debate grows on Japan's market changes

The view is gaining ground that Tokyo needs another big shock, Ian Rodger writes

political and technical merits of last week's decision by the US to cite Japan as an unfair trader, there is growing debate on whether the process of market liberalisation in the country is

still on course. In the US and elsewhere, the view is gaining ground that, despite its piedges, Japan is not emerging from its protectionist traditions quickly enough and that it needs to be hit with another big shock. In Japan, most officials believe that the momentum of struc-tural change is proceeding satisfactorily and even gathering pace. Excessive pressure from the US or other foreign countries risks offending the Japa-nese people and thus being counterproductive, they fear.

Certainly, the results of the country's efforts at structural country's entires at structural change in the past few years are meagre so far. When the seven leading industrial coun-tries agreed in September, 1985 to revalue the yen, it was widely assumed that this move would force Japanese manufac-turing industry to change its sively export oriented

The Japanese government quickly followed up with the so-called Maekawa report, the fruit of a blue ribbon committee study which set out a blueprint for complementary struc-tural changes in the economy and society to help absorb the expected severe adjustments in

Under the Maekawa plan, the government would stimulate domestic demand, partly to attract imports, and would dismantle regulatory barriers to market forces in many industries. Measures would be taken to remove excessive incentives to savings in the hope of stimulating consumption, and rules would be changed to reduce the working week, create more holidays and take other steps to encourage the Japanese people to be less workaholic. Four years later, even though the yen has doubled in value against the dollar, the trade surplus is much higher than it was in 1985 and, by all accounts, it is likely to grow again this year to something like \$100bn. Imports have grown significantly, but manufactured imports still represent a relatively small proportion of gross

It was expected that many lower value industries, such as shipbuilding, textiles and steel, would have to contract or disappear as a result of the yen revaluation, and that was accepted by Japanese authorities as an inevitable consequence of the need for fairer international division of labour. In fact, Japan now produces more steel than five years ago, the shipbuilding sector is booming and only in the garment making sector has the country given way significantly to the pressure of imports from neighbouring

Asian countries. What appears to have hap-pened is that the Japanese people, particularly those in manturing industry, reacted to the ven's rise in an unexpected very traditional Japanese way. They worked harder. Industries quickly overcame

the revaluation through a com-bination of rationalisation and development of new, higher value products. In the electronics industry, in particular, they have developed a series of sophisticated products - facsimile machines, laser printers, laptop computers, hand held video recorders - that cannot be matched elsewhere, and so makers can pass on the impact of the yen's rise to the world's consumers. Meanwhile, the process of eliminating barriers to imports has been disappointingly slow in all but a few lux-

MR Sosuke Uno (right), who is

new prime minister later this

week, has many qualities and qualifications but, in ordinary

circumstances, they would never have enabled him to reach such a high position, lan

The son of a sake brewer in

rural western Japan, he first came to prominence in 1947

when he published a book about his experiences in an

internment camp in Siberia. The book was aimed at raising

public awareness of the plight of the remaining internees and

Despite being a politician,

Rodger writes.

ury product markets.

have been hesitant to drop their deeply ingrained habits of thrift, hard work and acceptance of substandard living conditions. Household savings rates remain at 16 per cent, well above the 6 per cent rate in the UK, and both ordinary and overtime working hours

have increased since the Mae-On the other hand, there is kawa report. Trade unions remain docile, accepting wage considerable evidence that ordinary people too are starting to benefit from increases this year of about 5 per cent despite a second year Japan's success and, more of double figure profit growth in industry. What all this suggests is that

the Japanese moved most quickly on the least painful changes in the Maekawa blueprint - stimulating domestic demand and liberalising financial markets. But they have meet growing demand. The rationalisation of the

- deregulation, reduction of working hours, land use reform - which would have broken traditional commercial ties and caused anxiety in a people who still feel economically vulnerable. Thus, perversely, the main beneficiaries of the Mackawa

reforms to date have been Jap anese manufacturing compa nies. In the past few days, dozens of companies have been reporting their financial results for the 1988-89 fiscal year, and one of the most com-mon themes is that their profits have been soaring be of strong domestic demand

That success, in turn, has helped arm them with funds to invest abroad, which they are

he has published two collec-

tions of poetry and two books

on the history of his native region of Shiga. He paints in oils and plays the plano pri-vately and the harmonica pub-

licly, as many foreign digni-taries can attest. He is also a

qualified teacher of kendo,

party matters, and so has never built a following within

the party or been considered a potential leader. However, he has done memorable work in

Mr Uno, who is 66, has concentrated on policy issues in his career rather than internal

Sosuke Uno, specialist in policy issues

that it is arousing opposition in many countries. Because of the high yen, these invest-ments are relatively cheap.

Conversely, the revaluation of the yen and the subsequent surge in Japanese land prices have made it more difficult for foreign companies to invest in

mportant, to demand more. The number of people travelling overseas is expected to reach 10m this year compared with only 6.3m four years ago, and Japanese property compa-nies are investing heavily in leisure facilities at home to

agricultural sector is under way, albeit slowly, and that should at some point make it politically possible for the government to implement measures to promote land reform. Better land use is seen by many analysts as a most important reform, as it would lower housing prices and raise

living standards. is it enough? Is it happening quickly enough? The Japanese Government's view is that restructuring is proceeding sat-isfactorily. We have pledged ourselves to this process and we are proceeding on the set course," Mr Michihiko Kunihiro, an assistant deputy for-

eign minister, said on Friday. He acknowledged that the

He is elequent in his

from foreign diplomats for

studying his brief carefully

nes, and wins wide praise

process had not proceeded as quickly as he had hoped three years ago, but that was not because of any "monkey business" on the Japanese side. It was simply that Japanese com-panies had responded quickly to increases in demand both in Japan and the US. "Who

knows how long some of them will survive if US demand drops?" he asked rhetorically. The US Administration. which has launched an investigation of structural barriers within the Japanese economic system, obviously disagrees, as do other Western Governdo other western Govern-ments. Mr Martin Bangemann, vice-president of the European Commission, who was in Tokyo last week, needled Mr Hiroshi Mitsasuka, Minister of International Trade and Indus-

try, saying that the implementation of the Mackawa report was not proceeding as quickly as the legislative programme to bring about the unification of the EC market. Even if there was agreement on the need to galvanise the Japanese people into more action, there is no longer an easy way to do it. The view is

growing in both Japan and the US that it would not be helpful to bring about another significant revaluation of the yen because many Japanese exporters would quickly adjust to it.
It might even be harmful,
making it easier for Japanese ies to expand overseas and still more difficult for foreign companies to expand in Japan. Also, any attempt by the US to demand an accelera-tion of structural changes in

Japan will be met by indignant demands that the US do like-wise. From the foreign viewpoint, the best solution would be for Japan's leadership to become convinced that more rapid change was needed and to take bold action to bring it about. But the climate for such leadership is not propitious.

Correction

Sumitomo Trust and Banking

A headline on page three of Saturday's Financial Times which read "Recruit scandal fells Sumitomo bank chief" should have read "Recruit scandal fells chief of Sumitomo Trust and Banking".

For Burma, read The Union of Myanma...

By Roger Matthews

BURMA, one of the world's 10 poorest countries, has officially ceased to exist. The country's military regime has taken the ultimate step in its campaign to convince the world that everything has changed since the brutal surpression of mass pro-democracy demonstrations last September. It has chosen a

new name for the country.
Instead of The Union of Burma, it is to be called the Union of Myanma. Rangoon, the capital, will henceforth be known as Yangon, while the city of Moulmein becomes Mawlamyaing and Prome is to

be Pyi. The official explanation is that more than four decades after the country became fully the astrologically auspicious moment of 420 am on January 24 1948, the residual aspects of colonialism have to be swept

away. Leading astrologers are also said to be concerned about the regime's announcement that it is prepared to emerge from self-imposed isolation and to consider foreign investment for the first time in more than a quarter of a century.

The change in the country's name may therefore also be interpreted as an early antidote to the perceived dangers of foreign influence.

When Japan and other aid donors from the industrialised world cut off assistance to Burma last autumn in protest at the killing by the regime of more than 1,000 demonstrators, one of the conditions for a resumption of aid was the introduction of economic

The regime promptly dropped the "Burmese Road to Socialism", which had almost bankrupted a nation still rich in natural resources, but has yet to flesh out the replacement policies.

However, by selling fishing and logging concessions, suffi-cient foreign exchange has been gathered to finance a four-month military campaign against Karen rebels who have been fighting for 40 years for autonomy from what used to be called Rangoon. The fight-ing has been particularly intense in the past week.

most of his cabinet portfolios, which have included science it was so successful that it led and technology, public service management, international trade and industry and foreign to a political career for someone who might otherwise have been a scholar.

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HAVE TO CHOOSE BETWEEN CHOLERA.

Girozentrak to

esbank

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56 47



Over a million people die from cholera and typhoid every year, both diseases contracted by drinking infected water. But now ICI is working on an advanced



water filter so fine it will be able to trap the bacteria responsible. Which should help provide the developing world with more water that gives life instead of taking it.



World Solutions

World Class

Sunderland

air pollution

prompts EC

legal threat

were so bad that it would

launch legal proceedings in two months unless the Gov-ernment could justify its fail-

ure to take steps to cut levels

of anhydrous sulphide in the

EC restrictions on certain

substances in the air have been in force since 1982 but

Sunderland was one of the

regions granted an exemption.
All exempted areas were told
by Brussels to produce
long-term proposals for cutting levels of pollution.

In a formal warning yester-day the Commission said that

no plan had been forthcoming and the Government was in

breach of the rules. Under EC

legal procedure the Government has two months to reply before the Commission consid-

private individual. The Com-

mission now wants to see con-crete evidence that efforts are

Pharmaceutical industry row over drug safety tests

A ROW over scientific standards used in trials of medicines has erupted between Britain's main trade associa-tion for the pharmaceutical industry and a leading drug-

safety research body.

The Association of the British Pharmaceutical Industry came under fire from Professor Bill Inman, head of the Drug Safety Research Unit at Southampton University.

Prof Inman is regarded as one of the world's foremost authorities on the surveillance of new drugs to determine their safety. He set up the Southampton unit in 1980 and receives money from both the Government and industry to run a number of scientific programmes to record the adverse reactions of patients to new

drugs.

Prof Inman is a long-time critic of what he believes are efforts by some drug compa-nies to promote their new drugs with excessive zeal, to the possible risk of patients'

These promotional exercises could, he believes, lead to many thousands of patients being told to take a new medicine before its safety profile has been properly worked out. At the end of last year Dr

at the ABPI, wrote to chief executives of major UK and US drug companies drawing attention to some of Prof Inman's views regarding promotional efforts by the industry. These comments had, said Dr Wells in the letter, received wide publicity in Britain "to the damage of both UK and US

Prof Inman said that the letter had been a "blatant attempt" by the trade association to damage a drive by him last year to raise money from the international drug industry for a new building for his unit to expand its operations.

In the event, Prof Inman raised £1.3m through the funding exercise, most of it coming from US pharmaceutical companies including Merck, Pfizer, Upjohn and Johnson & Johnson.

Only two British medicines groups, Beecham and Imperial Chemical Industries, came up with money and Prof Inman believes that other large UK companies, such as Glaxo and Wellcome, might have promised approach bed it not been for d support had it not been for the letter from Dr Wells. Behind the dispute is a rum

bling controversy over the techniques used by drug com-panies to increase revenues from new medicines by persuading large number of doc tors to prescribe the products in the first year or so after they are available.

The discussion has focused on post-marketing clinical trials, efforts organised by indi-vidual companies to assess the safety of their new medicines by asking doctors to report any

dverse effects. Prof Inman believes that some companies, which he stresses have been a small minority, have put undue pres-sure on doctors to enter these trials. Physicians have, he believes, sometimes been given cash inducements by the companies to prescribe new drugs to an excessive number of

The professor believes his own studies, based on prescription data which he receives direct from the Department of

Co-operative societies' sales rise 8%

By Maggie Urry

THE Co-operative movement achieved retail sales of £5.8bn in 1988, an 8 per cent increase on the 1987 total, the Co-operative Union revealed yesterday at the movement's annual congress being held in Torquay,

This represents a slight fall

in the movement's share of total retail sales from 4.5 per cent to 4.4 per cent. The union said that the rate of decline of market share had slowed.

The aggregate trading surplus of the 85 co-operative societies was £110m in 1988, up from £99m in 1987. Although

this showed an improvement in trading margins from 2.0 per cent to 2.1 per cent, the performance was still below the aim of 2.5 per cent. The union, which organises

THE GOVERNMENT was threatened with European Community court action yes-terday because of air pollution in the Sunderland area. The European Commission in Brussels said conditions

Health, are a more reliable guide to the safety of new drugs and are free from commercial overtones.

The ABPI pointed out that in the past few years new guide-lines had been agreed in the industry designed to curb incorrect use of post-marketing studies and to harmonise scientific studies in this field. It said it did not want to comment on the details of any discussions regarding it and Prof Inman.

> The Department of the Environment said it had not yet seen the warning letter from the Commission. A spokesman said, however: "The UK has always made it explicitly clear that we intend to comply fully with the direc-

"If local authorities are reluctant to impose the direc-tive the Secretary of State has and speaks for the movement, said it was optimistic about the full powers to direct them to

Economic trends 'to change in 1990s' By Michael Prowse

THE PATTERN of economic activity will change markedly in the 1990s as Britain strives to curb its balance of payments deficit, says Cambridge Econometrics, the private forecasting group, in a long-term economic and industrial forecast published yesterday.

The company projects growth of about 23 per cent a year during the 1990s - about 1 percentage point slower than between 1985 and 1990. It expects inflation to hover between 5 per cent and 6 per cent and unemployment to drop only to 1.6m by the year 2000. However, the company expects the balance of payments to return to small sur-

plus by the end of the period.

The improvement in the current account assumes a grad-ual depreciation of sterling and a sharp reduction in consump tion growth. Consumers expenditure is forecast to grow by only 1.9 per cent a year dur-ing the 1990s, compared with more than 8 per cent during the 1980s.

Exports are forecast to grow at 4.5 per cent during the 1990s, compared with 2.5 per cent between 1979 and 1988. Imports should grow by slightly less than 4 per cent a year, compared with close to 5 per cent

The shift in demand away

and towards investment and exports has important implica-tions for individual industries. Manufacturing will gain at the expense of consumer services, such as retailing and catering. But service companies with business clients will also tend to do well.

In manufacturing high growth is expected in chemi-cals, electrical engineering. paper, printing and publishing, and building materials reflecting the strength of con-struction, which will be sup-ported by higher infrastructure

> In services high growth is expected in telecommunications, banking and finance,

and insurance. Low-growth industries of the 1990s include clothing, textiles and mechanical engineering. The sharpest sectoral turn-around occurs in energy, as a result of the decline of North

Sea oil production. The projections depend critically on the assumption that consumers' expenditure is restrained. In the absence of tax increases, says the report, measures to boost saving are likely to include incentives for private pensions, high interest rates and tax reforms.

Industry and the British Economy to the year 2000. Cambridge Econometrics. 21 St Andreus Street, Cambridge CB2.

Call to end 'commission war'

A CALL for the return of an industry-wide maximum commission agreement on life assurance contracts was made at the weekend by Mr Len Warwick, president of the Life Insurance Association, a trade body for life and pension inter-

ers its next step.

The investigation of air pollution over Sunderland was triggered by the complaint of a mediaries and advisers.

The call was made in the association's initial response to the proposals published last week by the Securities and ents Board on its disbeing made to reduce the con-centration of pollution in the closure arrangements for life assurance and unit trusts.

Mr Warwick referred to the current situation of a commissions war between life companies seeking to secure their marketing outlets through independent advisers. This was resulting in a bidding up of commission payments on a vol-ume-related basis, with the largest producers receiving the highest commission.

He laid the blame for the present commission "free-for-all" squarely with the Office of Fair Trading, for recommending that the existing industry-wide commissions agreement should be abolished and that commission payments should be free of restraint.

His fears, expressed to the SIB, were that independent advisers could find it difficult to demonstrate their indepen-dence when commission payments based on volume would lead to suspicion of bias by the adviser to the highest paying

The LIA warned the SIB that the answer to these problems was to remove the influences which bring about such suspi-cion by a return to a maximum sion agreement and not more disclosure - a reference to the SIB's veiled warning in the section of its document relating to commission disclo-sure that "further adaptation in disclosure and regulation may be found necessary in the light of experience."

Mr Warwick also had warnings for life companies offering

THE PROMOTIONAL methods

used to attract holiday timeshare buyers have been sharply criticised by the Advertising Standards Authority, the watchdog body for press advertising and other forms of sales promotion.

In its latest report on advertising and by the sales promotion.

tising complaints made by the public the authority says that although timeshare has been

has clearly not settled down to

the extent of avoiding offence by the sales methods of all its

Timeshare is the system

whereby consumers are able to buy a period of time each

year in a property, usually in a holiday resort and often as a hedge against rising holiday

Timeshare sales

methods attacked

By David Churchill, Leisure Industries Correspondent

These incentives were directly against the pronounce ments by regulators and Gov-ernment, even if their pay-ments were being made in a manner that did not infringe the letter of the regulatory

As such, he felt that life companies were provoking both the Government and the SIB to consider more stringent disclosure than the current

proposals.
This in turn would renew pressure on independent advis-ers to reconsider their status, just as they were beginning to overcome the problems posed by the financial services regu-lations and regulators.

Otherwise, the LIA gave a general welcome to the SIB proposals, regarding plans to disclose charges and expenses as being a further step forward in providing consumers with a greater degree of relevant information on their investment than mere commission

ons have bought a share in a

timeshare property. Sales to British owners in the UK and

overseas now total more than

The authority points out that "a source of anger, as reflected in a regular string of

complaints to the authority is the sometimes indicrons gim-mickry used in mail shots to

prospective customers to try to

from other unsolicited mail."

It cites the example of a US-

originated timeshare offer by post which had envelopes over-printed with the words

Royal Postmaster to attract

dow on the envelope, to be a

"There is an assortment of gimmicks to suggest urgency," it says. "Some letters contain what appears, through the win-

InterCity travellers see red

By Rachel Johnson

HUNGRY passengers on intercity trains may not have been surprised to hear last week that the sector has become the only passenger railway network in the world to make a profit

However, Mr. John Prideaux, InterCity's director, insisted that the move into profit had little to do with bumping up fares or the price of a cup of coffee on trains.

Last week Intercity said it had beaten the Government's deadline to move into profit without a subsidy by a full

From a loss of £104m in 1987-1988, a profit of £24m was predicted for 1988-1989.

Passengers facing 10 per cent increases in the cost of food on trains as from last week, and 21 per cent increases for their annual season tickets this year, could be forgiven for thinking that interCity's turn-round has been achieved at their expense. The Consumers' Association is agitating on their behalf about what it calls "the price of coffee syndrome " - when how much you pay bears no relation to what you

"How can an organisation pride itself on lurching into profit by extracting the last penny it can from passengers?

penny it can from passengers?"
said Mr Tom Jaine, editor of
this year's Good Food Guide,
published by the association.
The cost of tea, coffee, sandwiches and snacks went up by
about 10 per cent in April, to
widespread consumer dismay.
Intercity also increased the
cost of breakfasts. First-class
passengers on the Pullman serrs on the Pollman ser vices now pay £9.95, which the Consumers' Association estimates is more expensive than the Savoy.

courses for dinner on the trains cost from £9.50 for pasta with tomato sauce to £12.95 for poached Scotch salmon, Last year most main courses were under £10. The price of coffee rose by 20 pence.

As from last week main

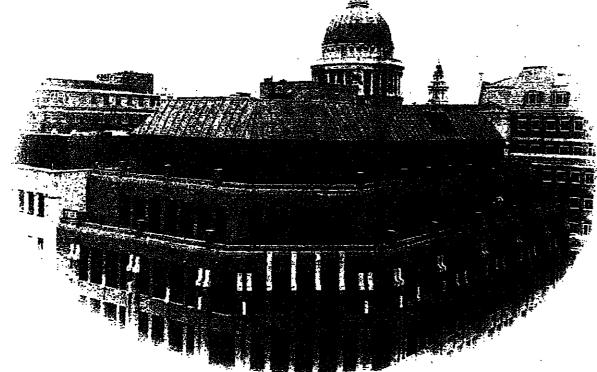
The Consumers' Association said these were top quality West End restaurant prices but the consumer was getting a cook-chill offering.

InterCity, however, describes the increases as "product changes and much more differentiation" resulting from a bet-

ter understanding of the mar-ket. The new prices are ahead of the rate of infiation, but the net cost of providing the ser-

vices rose threefold last year. CAR PHONES MOTOROLA 4500 NEC 11A £149 MOTOROLA HAND PORTABLE £499

Cookson has a way with construction



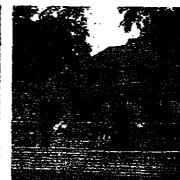
It's called expertise. Backed by massive investment in modern technology, Cookson companies supply the construction industry world-wide with a vast range of products including colours for bricks, tiles and paints, lead sheet and flashings, stabilisers for PVC pipes, gutters and window frames as well as road surfacing specialities.

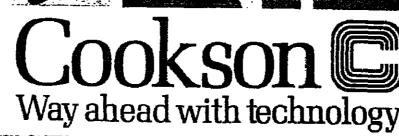
For these and many other products. Cookson is acknowledged and respected as the specialist supplier of technology based materials and components needed by virtually every industry and the Group is well known to investors for its impressive track record.











 $\textbf{CONSTRUCTION} \cdot \textbf{CASTINGS} \cdot \textbf{ELECTRONICS} \cdot \textbf{COLOURS} \cdot \textbf{PRINTING} \cdot \textbf{PLASTICS} \cdot \textbf{AEROSPACE} \cdot \textbf{CERAMICS}$

For further information about Cookson, please write to: Corporate Relations Department, Cookson Group plc, 14 Gresham Street, London EC2V 7AT.

In spite of criticisms it is still one of the fastest growing secgenuine cheque." tors of the holiday market. It believes that many of these letters do not make it There are more than I.3m timeshare properties world-wide and at least 120,000 Britclear that the purpose is to sell timeshares.

Bundespost to take stake

in pocket-phone system By Hugo Dixon

THE BUNDESPOST, West Germany's state-owned tele-communications operator, has agreed to take a stake of about 10 per cent in one of the UK's telepoint networks, the revolutionary pocket-phone system due to start later this

The Bundespost is joining Phonepoint, the telepoint con-sortium led by British Tele-com. Other shareholders are STC, the UK electronics company, France Telecom and Nynex, which runs New York's

telephone network.

BT originally had a 60 per cent stake in the consortium, but the Government said it would have to reduce this to

under 50 per cent and that Phonepoint would have to be run on an arms-length basis from BT to avoid it dominating the

The Bundespost has been talking to BT about taking the excess shares for several months. Ms Sandra Rogers, Phonepoint's marketing manager, said that an agreement in principle had now been The addition of the Bundes-post to Phonepoint will put the

consortium in an excellent position to develop interna-tional telepoint services, as its shareholders have a strong presence in four of the world's leading economies.



SIEMENS TRC Competitor Watch Study



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UK NEWS

Financiers

survival of

the fittest

Mr David Glampaolo, the

former "body-sculpting" Mr Florida (lightweight division) who last year established the Burbican Health and Fitness

Club – with its £800 joining fee – for the giant US Bally Health and Tennis Corpora-

His new company, Espree Leisure, last month received

23m of equity finance from British and Commonwealth Holdings, the financial

services conglomerate, and the LET Leisure subsidiary

of the property company London and Edinburgh

Trust:
It is now poised to sign a deal for a 25-year lease on a 23,000 square foot basement on the east side of the City of London near Tower Bridge.

The site will be refurbished as a fitness club full of

By Cilve Wolmen

support

Most company pensions 'lagging

lagging behind inflation, according to the latest survey from leading consulting actually area, R. Watson & Sons.

The firm's engoing survey of pension increases shows an average rise of 4.7 per cent to pension: payments in the 12 months to January I, 1989.

The increase in the Retail Price Index over the same period was fix per cent, while the earning index rose by 10.8 per cent.

per cent.

The majority of sompany pension schemes provide pensions at retirement, based on the salary of the employee at or near the time of retirement and the number of years' membership. An employee's pension entitlement during his sion entitlement during his working life is therefore effec-

travellen

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14 72:

See red

sion entitlement during his working life is therefore effectively revalued in line with earnings increases.

But when pension payments start, future increases to offset inflation are usually made at the discretion of the scheme trustees and the employer. The increases depend largely on the surpluses in the scheme to fund those payments.

Very few private sector

Very few private sector schemes even match, let alone guarantee, inflation increases, as is the position with public.

UK are still growing at a much

faster rate than any sector of the soft drinks industry, according to a review of the market by Perrier (UK), the

market leader.
Total sales of bottled water

in 1988 were up by 30 per cent

over the previous year, said the report. It estimates that -more than 175m litres of min-

eral water were drunk last-

By Lisa Wood

Mineral water sales soar

MINERAL water sales in the the industry forecasts sales

THE CONTROL OF THE CO

INCREASES being made by financial position, with subcompany pension schemes to
pensions paid to pensioners are
lagging behind inflation. Pension actuaries base
according to the latest survey equity asset values on dividend
from leading consulting actuaries, R. Watson & Sons.

The firm's ongoing survey of
pension increases shows an
average rise of 4.7 per cent to
pany schemes should still be
recording substantial surrecording substantial sur-

recording substantial surphases.

Companies are dividing their surphases between pensioners, by increasing pension payments, and shareholders, through contribution holidays.

The evidence of the latest survey from R. Watson indicates that employers and trustees should be putting more emphasis on further pension increases when considering the use of surphases, and less on continuing contribution holidays.

days.

A recent report from the Occupational Pensions Board on the rights of employees and employers in occupational pension schemes referred to the rising expectations of employ-ees and pensioners towards

their payments.

The board urged that schemes should revalue pensions in line with inflation at least up to 5 per cent a year, but retrained from recommending this revaluation to be a

will reach 2200m by the early

UK consumption in 1988, at

three litres per capita, still lags well behind that of most Conti-

nental countries. France heads the league table with 83 litres a

as a fitness club full of muscle-building and exercise machines scheduled to open in mid-1930. Another 30,000 square feet of finess club is scheduled to open in London's docklands at about the same time. sector schemes.

Company schemes have for the pension scheme was being several years been in a sound wound-up.

Apart from the Barblean Club, which has built its membership to almost 5,000, the only other US-style sports and fitness club in the City is the recently refurbished Cannons, adjoining Camon Street rail-way station.

way station.
Another luxury sports club.
Cottons, has been established
just south of the Thames near
Lundon Bridge and a club in
the Broadgate development near Liverpool Street
station is due to open

The Espree team includes Of the 30 plus brands of min-eral water available in the UK. Perrier, Evian and own label two other former directors of the Barbican club, Mr Andrew Campbell and Mr Andrew account for 72 per cent of the Ripley, and Mr Lynn Boeke, a US architect specialising in the design of sports and health clubs. The market, now worth per cent to be shared by other \$130m, has grown by 145 per cent to be shared by other UK, Italian, Swedish, Belgian cent in the last three years and.

BNFL reprocessing set to grow as Bavarian plan fades

By David Goodhart in Bonn BRITISH Nuclear Fuels Ltd is

hoping to be one of the main beneficiaries from the expected decision not to proceed with the giant West German nuclear the giant West German nuclear reprocessing plant at Wackersdorf in Bavaria and may try to raise its capacity significantly to accommodate the work.

BNFL confirmed yesterday it had made an offer to the German Association for Nuclear Free Recording following the IN THE WAKE of American power breakfasts, huge performance-linked bonness, and rapid hiring and firing. City financiers are now having to cope with US-style luxury sports and fitness

Fuel Recycling following the move by Veba, one of the German utilities behind the Wackersdorf project, to form a recycling venture with the French group Cogams.

That decision by Veba has thrown into doubt the future of the half-built Wackersdorf plant. A firm decision not to

proceed is expected next Abandoning Wackersdorf will mean several thousand tonnes of nuclear fuel per year coming on to the recycling market in the late 1990s. According to German press reports, BNFL is hoping to attract a large slice of that

and plutonium only for the CEGR, ought to be well placed to snap up extra international business when it completes its Thorp recycling plant at Sellatield in 1992. The Thorp plant can recycle spent fuel rods from PWR and AGR reactors and not just Magnox reactors as is the case at Sellafield.

RNET, boasts that it has

BNFL boasts that it has already sold most of its capacity for the first 10 years of operation at Thorp but Mr Bob Phillips, chief spokesman, said:

We are examining whether we can raise our capacity over 10 can raise our capacity over 10 years to 7,000 tonnes from the currently planned 6,000." Mr Phillips said that German

ntilities were already the sec-ond higgest group of customers for the Thorp plant with about 800 tonnes booked for the first 10 years. The Japanese were the biggest customers with

If the German utilities do

Cogena.

State-owned BNFL, which currently recycles uranium and plutonium only for the CEGB, ought to be well placed of BNFL as is being suggested. on BNFL as is being suggested by Veba in relation to Cogema. A long-term deal with the Germans could be especially attractive if the CEGB — which has armessed some diswhich has expressed some dis-satisfaction with BNFL in the past - were allowed to seek

other recycling sources, although such an Anglo-German recycling agreement might be less attractive to the Germans if the main domestic customer had abandoned

Critics of recycling say that recycled uranium is far more expensive than new uranium and the plutonium can only be used in bombs. Anti-nuclear critics also fear that in the long run Sellafield will merely become a dumping ground for German nuclear waste which cannot be stored in Germany

Nuclear power station output rises by 35% in first quarter

OUTPUT from Britain's nuclear power stations rose sharply by 35 per cent in the first quarter of 1989 while the combined output from coal and oil-fired stations fell by 7.8 per

cent, government figures show.
Nuclear power stations performed as if they had burned
the equivalent of 6.76m tonnes
of coal, compared with less
than 4.9m tonnes a year sar-

The figures, in the Department of Energy's monthly sta-tistical bulletin, reflect the marked recovery of the country's Advanced Gas-cooled Reactors from the troubles of a year previously.

They also fit in with the

Government's desire that a lower proportion of electricity should come from fossil-fuel stations both in the interests of fuel security and the alleged impact on the atmosphere. Nevertheless, coal remains by far the staple fuel for elec-

tricity production, accounting for about 77.5 per cent of total power station fuel use in

The first quarter of the year also saw a 7.8 per cent increase in coal production compared with the same period a year earlier, reflecting the indus-try's smoother labour relations and investment in heavy duty

machinety.

Deep-mined output in the first quarter was up 10 per cent and opencast was up 25 per cent. There was also a 25 per cent rise in imports and 9 per cent drop in exports of coal. But because of the mild win-ter, stocks of coal in March reached 37m tonnes, the second highest level for five years.

Another set of energy statis-tics, also produced at the weekend, showed the UK's North Sea oil output at its lowest level for nearly a decade. The Royal Bank of Scot-land's latest analysis said the amount of oil produced in the UK sector of the North Sea was 34 per cent down last month on the same period in 1988. April's figure of 1.71 million barrels produced on an average day was the lowest since 1980.

Much of the slump was blamed on the explosion and

consequent shutdown of the Cormorant Alpha field earlier The Royal Bank said the sitnation was likely to improve in the second half of the year as

new fields came on stream The Shetland terminal receiving oil from Cormorant 'A' averaged just over 700,000 barrels a day in April – 270,000 below March's level – but a return to full production at the Fulmar field partly offset the

A series of shutdowns left only 28 of the 38 UK fields operating but some were expected to re-open later this sum-

INVESTIGATION INTO THE **CLAPHAM JUNCTION RAILWAY ACCIDENT**

FINAL DAY

Final submissions on the evidence presented to the Clapham Junction Investigation, will take place at Westminster Central Hall, Storey's Gate, London SW1, on Tuesday 6 June 1989 at 9.30 am.

Counsel for each represented party will have the opportunity to address the Court referring to the written submissions which they will have prepared in advance. Reference copies will be available for members of the public.

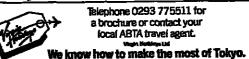
Any enquiries should be made to the Clapham Junction Investigation Secretariat on 01-276 0838.

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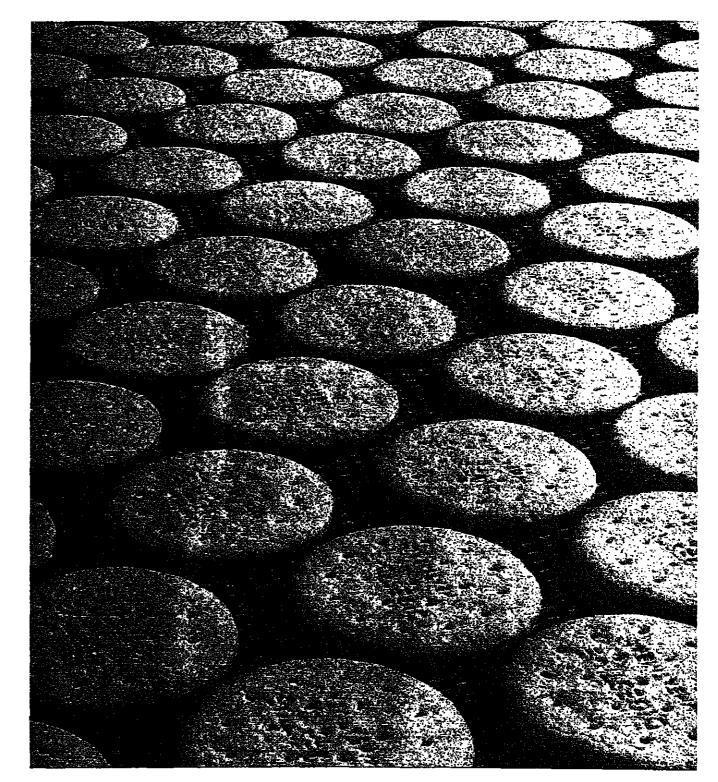
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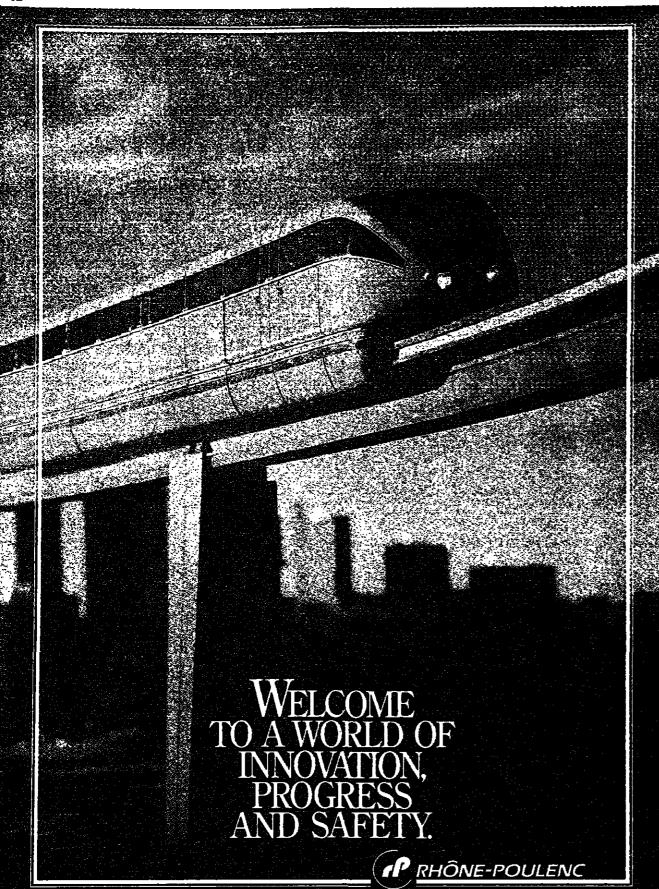
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UK NEWS

Union prepares to call docks strike

By Charles Leadbeater, Labour Editor

THE TRANSPORT and General Workers Union seems almost workers of their certain to call a national dock strike if port employers fail to win an injunction against industrial action in the Court

of Appeal this week.

The appeal, following the High Court's refusal last Saturday to grant the employers an injunction, is expected to start on Thursday and is likely to last only two or three days.

The TGWU's regional secre

taries, national officials and local docks officers will gather at the union's London head-quarters on Wednesday to lay

Dockers chart a

steady course for

industrial action

reports Charles Leadbeater

HE CONFLICT over the abolition of the National Dock Labour Scheme,

which regulates employment in most of Britain's ports, is about to shed the political and

legal garb which has shrouded it for the last seven weeks, to emerge as a purely industrial

emerge as a purely industrial disputs.
On Thursday, port employers are expected to start their appeal against Saturday's High Court ruling that the strike was a lawful trade dispute rather than a political protest. It seems likely that the appeal will fall after Mr Justice Millet warned the employers their

warned the employers their chances of gaining an injunc-

tion preventing the TGWU transport union from proceed-ing with the strike were very

Mr Bill Morris, the TGWU

deputy general secretary, said yesterday: "If the appeal goes

our way, we are all set for go.

We have not come this far to snatch defeat from the jaws of

Neither the union nor the

National Association of Port

Employers (Nape) are prepared to call for talks or a reference

to Acas, the conclitation service. A strike from next week,

involving the 9,400 registered dockers in about 63 ports cov-

ered by the scheme, seems almost inevitable.

phase of the TGWU's strategy: perhaps the most carefully-laid

union plan this decade for an

industrial dispute.

The first phase – to establish an agreed position within

The strike will be the fourth

A port strike appears inevitable,

detailed plans for the strike. Each of the union's 9,400 registered dockers will also receive a letter from Mr Ron Todd, the TGWU's general sec-retary, outlining the union's dispute strategy.

The move comes almost seven weeks after the union's national docks committee first considered a strike ballot over plans to abolish the National Dock Labour Scheme, which has regulated most dock work since 1947.

Mr Bill Morris the union's deputy general secretary said vesterday the union would not

the union - began the day after the Government's announcement on April 6 that

the scheme would be abolished

in July.

The union's national docks

committee had expected to call an immediate strike ballot. But

Mr Ron Todd, union general secretary, intervened, arguing that a strike aimed at persuad-

ing the Government to change its mind was bound to fail. He urged the committee to call a strike aimed at pressuring

employers to replace the statu-tory scheme with a national

collective agreement.
A special meeting of the

be seeking further talks with port employers for negotiations to replace the statutory scheme

with a national agreement.

The union has to call a strike by June 15, 22 days after the close of the strike ballot, in which dockers voted by three

to one for action.

Mr Nicholas Finney, director of the National Association of Port Employers conceded a following the High Court in ing that the union was pursuing a lawful trade dispute rather than a political protest.

Mr Justice Millet said the

employers' had only a remote chance of showing the strike was aimed at forcing the Gov-ernment to withdraw its legis-lation, rather than reaching a national agreement.

Mr Finney said the employers could not compromise on their insistence that terms and conditions should be governed by local agreements. The TGWU wants local talks

over pay and changes to work-ing practices to be conducted ing practices to be conducted within a national framework covering training, overtime and shift rates, sick pay and health and safety.



Marching in step': Bill Morris (left) and Ron Todd

the communications tech-

union's general executive council on April 14 finally backed Mr Todd. Since then,

the national docks committee, the dockers delegate conference, the executive and national officials have been marching in step.

That provided the foundations for the second phase, which lasted almost five weeks, aimed at preparing the ground for a legal trade dispute with port employees.

pute with port employers.

The leadership delayed calling a strike ballot to distance the vote from the Government's move, thereby making it more difficult for the employers to argue that the strike was political.

They held talks with the National Association of Port Employers to show the issue was a trade dispute to be settled across the negotiating table rather than the floor of the House of Commons The union adopted some of

the communications techniques commonly ased by companies to win workers loyalty. Dockers received comes of the union paper at least destiling. Mr Tody's case, within supporting letter from Mr Tohn Connolly, the union's docks officer. The union's legal advisers had been involved from the start. They came late their own in the crucial that phase—the court hearing which started on May 18. The High Court's decision means the union can proceed with a strike, free from the threat of being crippled by further legal action, fines or sequestration.

But the court's sanction may also defuse the strike as a political issue. Having first called for negotiations, the union is on the warm of an archeville. the verge of conducting a law-ful, democratic strike. The court ruling will make it

eourt ruling will make it harder for employers and ministers to attack the union.

With the legal and political gloss stripped away, the fourth phase can now begin – the underlying industrial dispute.

The union is confident it can be the union of the

win, with the dockers' patient anger channelled through a tightly controlled, centralised strategy to force the employers. into national talks.

Dockers voted for industrial action by 6,333 to 2,191 in a 90.8

per cent turnout. The ports under the National Dock

Labour Scheme handle about Labour Scheme handle about 70 per cent by volume of non-oil trade. A recent poll suggested more than 70 per cent of companies would be hit by a strike. The union says the strike will be solid, and employers will come under increasing pressure to settle. Ports under the scheme

account for only 47 per cent of trade by value, however, down from about 30 per cent in the 1970s. Major employers such as Associated British Ports (ABP) which control about 25 per cent of UK port capacity and the Port of London claim that between a half and two-thirds of their cargo would be unaf-

ABP has an incentive to sit out a long dispute. It expects to gain £20m a year within three to five years as distribution and warehousing companies are attracted to deregulated

Employers believe the union's disciplined strength will be sapped by the flow of trade through non-scheme ports and revolts at small ports which have not sated for a which have not voted for a

The dispute will have to go through at least one more phase before it ends – a negotiated settlement. The question is whether that will take place nationally or locally; and, at the moment, there are few signs that that phase will reach an easy conclusion.

London rail drivers set for 24-hour

stoppage By Charles Leadbeater

THE LONDON Underground railway seems almost certain to be hit by a further 24-hour unofficial strike by train driv-ers this week, despite a plea from Aslef, the drivers' union, to postpone action until an official ballot is considered.

official ballot is considered.
Mr Dereck Fullick, Asier's general secretary, said yesterday be thought it was unlikely the action would be lifted despite his call last week for normal working. Mr Fullick said the three day bank holiday weekend would have made it difficult for the organisers of the action to spread word that the sirike should be suspended.

He said he thought it unlikely the strike would start today, but said it was quite likely on Wednesday or Thurs-

Mr Fullick said he had been told the leaders of the unofficial action had not dismissed his call out of hand. "When people are running something unofficial like this they are all proceeding the property of the property of the property of the people are the people are all the peo

geared up and it is very diffi-cult to stop it," he said.

Aslef's executive is expected on Thursday to consider call-ing an unofficial ballot over the extension of driver-only trains. The union's leadership believes an official ballot would be the most effective way to reassert its authority over the dispute. The unofficial action, which has hit London Underground

four times in the last month, has prompted employment Ministers to consider introducing legislation aimed at preventing wildcat strikes.

CBI MONTHLY SURVEY

Gloomy outlook for industry as orders record steady fall

By Michael Prowse

THE OUTLOOK for British manufacturers is deteriorating, warns the Confederation of British Industry in its May sur-vey of industrial trends, out

today.

The proportion of companies reporting below normal order books exceeded those reporting above normal orders for the first time since January 1987.
Export orders, on balance, were below normal for the eighth month in succession. The downturn in industrial orders, taken with last week's sharp decline in retail sales, provides further evidence of a rapidly softening economy. "The Chancellor's medicine

has already started to work," said Mr David Wigglesworth, chairman of the CBI's economic situation committee, "And the further increase in interest rates to 14 per cent could be damaging to British

The survey found 24 per cent of companies had below nor-mal orders and 19 per cent above normal orders. The negative balance of 5 per cent con-trasts with strong positive bal-ances recorded throughout 1988. Demand was weakest in textiles and most buoyant in mechanical engineering.

Export orders were weaker than domestic orders, with 27 per cent of companies report-ing below normal order books against 18 per cent with above normal orders. The negative balance of 9 per cent confirmed the downward trend which began last summer. Orders were weakest for small compa-

nies.
The orders figures reveal a significant narrowing in the gap between domestic and export demand in recent months. As orders reflect the pattern of future production, this suggests manufacturers

from home to export markets a development eagerly awaited by the Treasury.
 The survey's findings on

stocks, output and prices are relatively encouraging. With the exception of motor vehicles, food, drink and tobacco, stocks were considered to be more than adequate to meet demand.

Some 31 per cent of companies said they expected output to increase over the next four months, while only 13 per cent forecast a decrease. The posi-tive balance of 18 per cent, while healthy, was well below the strong growth expectations

of last year.

The balance of companies saying they expected to be able to increase domestic prices over the next four months was the lowest since last Septem-ber, suggesting a lessening of inflationary pressures.

Interest Rate Change

Allied Irish Banks plc announces that with effect from close of business on 26th May 1989, its Base Rate was increased from 13% to 14% p.a.

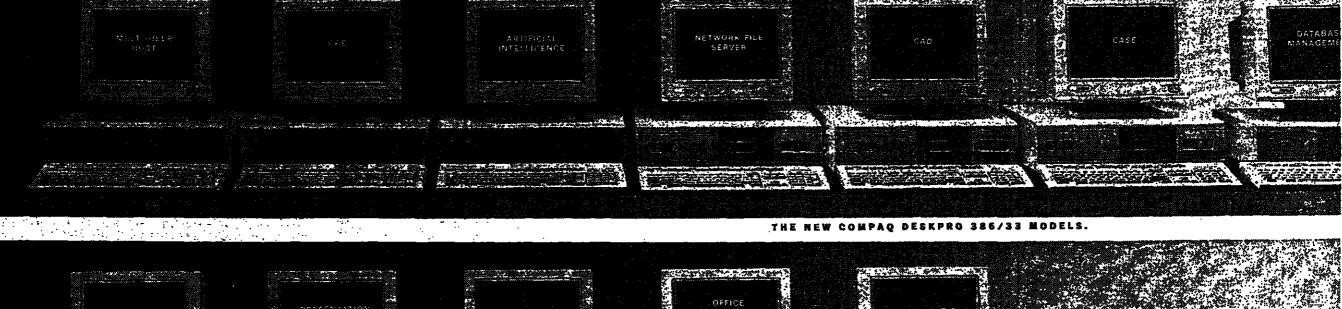


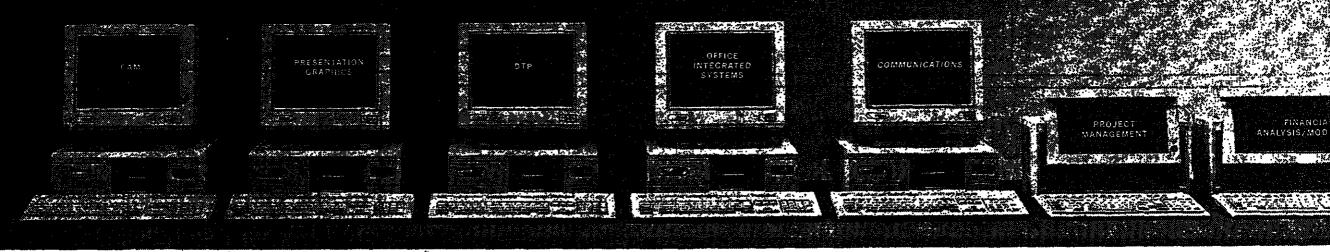
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Trade surplus for VCR and TV producers

By Terry Dodsworth, Industrial Editor

UK PRODUCERS of colour sharply in recent years, howtelevisions and video cassette recorders achieved a trading surplus in the first quarter of this year after several years of heavy deficits.

The swing to a positive trade balance follows several years of mounting investment in British manufacturing by Japa-nese and other overseas consumer electronics companies. All the large-volume producers in the industry are now for-

According to the British Radio and Electronic Equipment Manufacturers' Associa-tion the first quarter surplus amounted to £13.4m for colour televisions and £2.6m for VCRs. The association described the figures as "very good news for

Television producers earned a slight £400,000 surplus in 1987 but ran up an £11.9m trade deficit last year, when imports amounted to £238.1m against exports of £226.2m. The VCR industry, which was largely developed in Japan, has never before achieved a positive trade balance in the UK. The deficit has been falling

ever, with the rapid growth of production in Britain, which only began at a significant level five years ago. Last year the imbalance was virtually

halved to £96m compared with £182m in 1987. Despite the turnaround in colour television and VCR trade the UK is still running a substantial overall deficit in

Component imports for use in British assembly plants are not counted in the association's figures, and despite the development of UK sourcing these purchases are still very

At the same time trade in audio products remains in subtantial deficit. Although first quarter statis-

tics are not yet available, the association's figures show that in 1988 Britain imported £\$4.4m worth of music centre equipment against exports of £23.7m, leaving a deficit of £60.7m. In compact disc players, the deficit came to £68.1m, with imports of £73.6m and exports

Publicans warn of closures and price rises

By Maggie Urry

A MAJORITY of pub landlords think beer prices would rise and some pubs would be forced to close if the Monopolies and Mergers Commission ndations on the brewing industry were imple-

mented.

A Mori poll of 401 publicans across England and Wales for Haig Whisky's quarterly industry report found that 52 per cent thought the beer price would rise.

Last month the commission's inquiry into the brewing industry reported that there was a complex monopoly in the supply of beer. Its recom-mendations to break up this monopoly included preventing any brewer from owning more than 2,000 pubs.

More than half the landlords questioned said they were opposed to the big brewers being forced to sell off thousands of pubs. Nearly three-quarters said it would lead to the closure of many pubs. the closure of many pubs.

More than half agreed that there was a monopoly which worked to the disadvantage of consumers. Three-fifths of the landlords said the recommen-dations would lead to a wider

choice of beer in pubs.

Minister turns a blind eye to planning calls Hazel Duffy explains why London boroughs are dissatisfied with official policy

P LANNING directors in 33 London boroughs and the City say that the Government has side-stepped the issue of how to make the capital a better place in which to live and work.

Members of the London

Planning Advisory Committee (LPAC), representing all the boroughs, agreed this week that they would "try yet again to persuade Mr Nicholas Ridley to provide the sort of strategy which London needs to plan for the 1990s."

Their criticism is directed at the draft strategic guidance which Mr Ridley, Secretary for the Environment, published in March. Mr Ridley had taken advice from LPAC before drawing up the guidance under the mechanism which the Govern-ment set up for London after abolishing the Greater London Council.

The planners and councillors believe, however, that he has turned a deaf ear to much of turned a dear ear to much of their advice.

London is split politically.

There are 14 Tory boroughs, 15
Labour boroughs, three con-trolled by the centre parties and the City, which is indepen-dent. Despite this, agreement is unanimous.

The problem is that the Gov-

The problem is that the Govrine problem is that the Gov-ernment does not believe in strategic planning. Instead it believes in delegating planning powers to the local council

level (boroughs in London).

Mr Ridley says it is for local people, not the Environment Department, to decide where

The councils say delegation is fine in principle but the Government must be more specific on the framework.

It must indicate, they say, the way it wants London to develop. Then councils -which are obliged to take the Government's guidance into account - could plan accord-

ingly.
Where should the new shopping centres be situated?
Which boroughs can provide land for new housing? Where will the new offices go? Should land be set aside for light industry? Where do the Gov-ernment's plans for transport and new roads in London link in with land utilisation?

The need for planning has

probably never been more pressing in the booming capital. Building sites in the City testify to the scramble for office space, sparked by growth in the account generally and in the economy generally and the expansion of financial services specifically. Construction workers' helmets have replaced bowlers as the symbol

of the City.
Congestion on public transport reflects the growth in jobs, visitors and prosperity which has concentrated in London over the last few years.



Nicholas Ridley: no desire to plan where people live

Jammed roads are the result of increased car ownership, the inadequacies of public trans-port and the fact that goods must be delivered to shops day and night to meet demand. But London also has pockets

of wretchedness. High unem-ployment in some inner London boroughs, ethnic minority tensions and a desperate short-age of cheap living accommo-dation illustrate the widening disparities in wealth which are characteristic of US cities.

The solution of economic and social problems demands decisions which affect land use, say the boroughs. These decisions cannot be purely local. No borough sees itself as

The last attempt at planning in London was the Greater London Development Plan produced by the Greater Lenden Council, which was the strate gic planning authority for the capital. It was medified after an inquiry in the 1970s.

an inquiry in the 1970s.

Nobody claims that the GLDP has been a success. Parts of the plan, particularly relating to new roads, were never implemented. Yet no one speaks for London as a whole these days. The framework for spears for London as a whole these days. The framework for planning in the city has been drawn up by a unit at the Environment Department. The LPAC, set up in the wake of the GLC, laboured for the care of decarment.

two years. Its agreed document reflected its even political split. it. centred around a vision for London the capital as a world centre of trade and business, but also a civilised city where residential neighbour-hoods would be stable and hoods would be stable and secure. Its idealistic preamble

secure. Its idealistic preamble was backed by concrete plans. Six months later Mr. Ridley sent out-his guidance, emphassing the business fature of London. There were just vague references to meeting social and employment needs.

Development was to be

encouraged in Docklands but LPAC's suggested growth centres were ignored and there was no hint that the brakes

On transport, it did no more than restate the plans and various studies already announced by the Transport Department. It provided no basis for co-or-dinating land use and trans-

port policy. Every borough will be required to draw up a plan for its area, based on the Govern-

its area, based on the Government's final guidance.
As it stands, Labour councillors see the guidance as a licence for developers to build where they want, not necessarily in the city's best interests. Tory councils are less con-demnatory, but they too are unhappy about much of the guidance, fearing its loose wording will invoide a bonanca for lawyers and expect develop

ers to appeal increasingly against council decisions.

Mr. Ridley is not likely to be moved. He does not want to put any restrictions on development in London or the south star other than those in

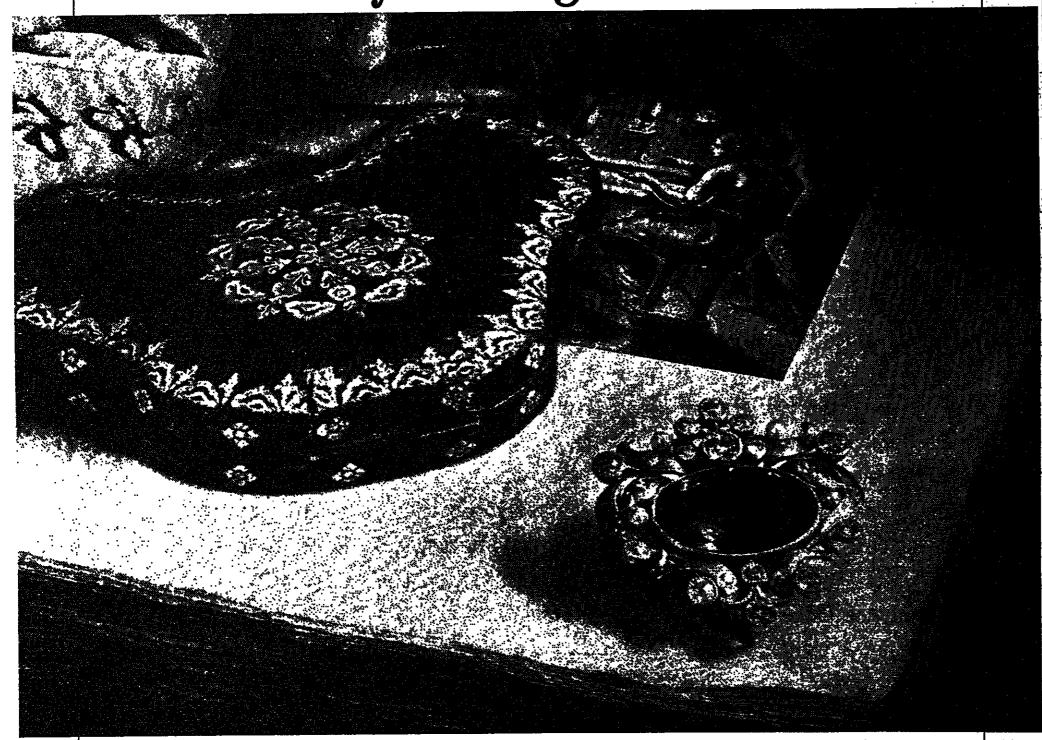
south-east, other than those in the green belt.

"I believe that it is better not to plan where everybody is going to live and work, but to make them take their decisions. in their own economic interests," Mr Ridley said recently.

LPAC will confinue to press

its viewpoint, as post-GLC planning moves into the clos-ing phase. But it seems to have

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Ecu fund to invest in unquoted companies

QUESTER Capital Management, a British venture capital group, plans to raise a Ecu 30m (£20m) fund known as the Parquest Venture Partnership to invest in unquoted European companies. Up to three quarters of the funds will be invested in Britain and France: with the remainder going-to companies in other curopean countries.

Parquest plans to invest amounts; of between Ecu 500,000 and Eco 1m in smaller companies which are attempting to expand out of national niche markets into other European countries. It will also buy out retiring directors of family companies, and finance the turn-round of struggling com-

satiscription level of Ecu. Rou 30m by first closing date in early summer. CIN Venture Managers, which manages the

venture capital activities of the British Coal and British Rail Pension Funds, and Banque Paribas of France have subscribed Ecu 8m to the fund. The British Coal Pension Funds and Paribas are both shareholders in Quester. Three other investors, two of them Japanese, have also said they will invest.

Quester will advise the new fund on its UK investments while Partech Associates, a Paris-based group, will advise on French investments. The new fund has been established in the form of a UK limited partnership and will have a 10vear life. Quester has raised four

funds — three under Business Expansion Scheme rules — since 1984 and has £12.5m under management.
Parduest is the second Ecudenominated venture capital

Newcomers spark 'fierce competition' in furniture

By Maggle Uny

A SHAKE-UP in the £5.8bm a year furniture and carpet retail market has started, after years of poor service to consumers, according to a report on the industry from Verdict, the

the more aggressive retailers to create a competitive edge through distribution, individu-ality and product style," Ver-dict concludes.

Fierce competition can be expected in the coming year, the study says, because new entrants are coming into the market just when consumer interest rates and when house moving has slowed. Furniture sales have largely

missed out on the consumer boom of the mid-1980s, Verdict says, although in 1988 sales

says, atthough in 1908 sales rose by 12 per cent.

It says furniture shops have been drab places, filled with poor products, unimaginatively displayed, typified by brown suites and teak veneer wall units. Customers have received poor service, notably on deliv-

ery. As a result per capita expenditure on furniture in the UK is low compared with other developed countries and the trade has often resorted to price cutting.

It has taken the arrival of outsiders such as Marks and

Spencer and Ikea, the Swedish-owned group, to push established players into improving. It will take heavy advertis

ing to persuade customers that things have changed, though, as visits to furniture shops are

There are no overwhelm-ingly powerful leaders in the sector, Verdict says. MFI, which has made its reputation in flat-pack furniture, has the largest market share with 9.8 per cent. Lowndes Queensway is a close second with 9.4 per

Only four other chains have more than 1 per cent of the

Verdict on Furniture and Carpet Retailers. £450 from Ver-dict Research, 112 High Hol-barn, London WCIV 6JS.

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Charles Batchelor explains why, for too many co to charge for a product is an arbitrary decision aniborough Millimind of the customer which product ary Models, a the managers of many growing that manufacturer of businesses find so difficult to model soldiers make The idea of pricing their is model soldiers make The idea of pricing their is marked will bear is an expension of the market will be an More than cost plus

Charles Batchelor explains why, for too many companies, what

ariborough Milimind of the customer which tary Models, a the managers of many growing mainfacturer of businesses find so difficult to model soldiers make. The files of pricing their and historical figures based in products up to the maximum the market will bear is an recently launched a range of approach which many find indian wardors who fought on suisciss of exploitation.

Selles Because of the extra that, if their product is valued in tritricate pattern of rainbow by their customers they can intricate pattern of rainbow stripss on the stills Marlbor-ough set the trade price of a set of six of the warriors at 235. more than double its usual

more than double its usual price.

Thought we had gone over the top, says lan Scroby, who set the company up in 1983 with her hishand Frank. But the labour involved in painting amounts to half of our costs and we had to build in quite a bit exits in the price to take account of that.

If customer reaction is anything to go by the Scrobys got the price right, for none of the collectors who buy their products complained. Mariborough, which employs 30 people and has projected a 1989 turnover of 2150,000, stays in close touch with its customers around the

with its customers around the world and has a good idea of what will appeal to them.

The success of the still warriors may have given the Scrobys a new confidence in their

ability to gauge what their cus-tomers will pay but many busi-nesses have great difficulty in pricing their products of ser-"Companies often have no idea of what to charge," says Mike Feinson, a director of Euro Marketors Partnership, a food marketing consultancy.

They take the cost price and

company

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add a margin to cover their overheads. Then they offer arbitrary discounts. This obsession with cost is what leads many companies astray when it comes to calculating a realistic price for their products, in the view of most marketing specialists. "People look askance when you say price has nothing to do with cost," says Neville Wills, of The Gryphon Group Consultancy. In fact, price has everything to do with people's perception of your product. There are some products where cost is irrelevant to price, such as

But it is this leap into the

smacks of exploitation.

Yet many companies find that, if their product is valued by their customers, they can increase their prices without losing business. Oasis Projects, an Addlestone, Surrey, based supplier of computer switching equipment cum-consultancy started out two years are indestarted out two years ago pricing its consultancy service at the lower end of the going rate. As it has established a name for itself it has increased its charges. "We have moved our prices up with no adverse reaction," says Nick King, the founder,

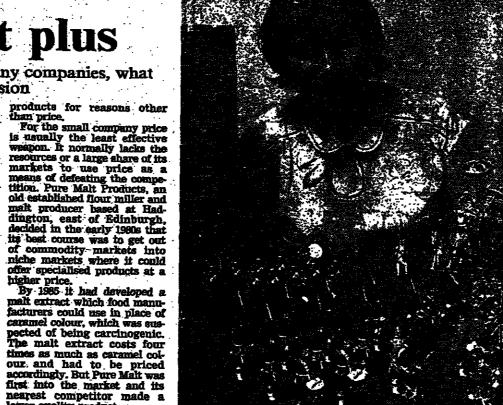
King says he could afford to start out-charging relatively low consultancy fees because, as a small company, his over-heads were low. But the prob-lem for many new companies is that they cannot calculate their costs correctly.

"Often small company owners don't take their own time or the cost of postage or tele-phone bills into consideration," says Gerry Dowds, spokesman for the Forum of Private Busi-ness. When the business grows and starts paying Value Added
Tax and employing people
whose time does have to be
paid for they find their costings — and their prices — are
hopelessly inadequate.

It is not only in the early stages that costs can prove dif-ficult to calculate. Rapidly growing businesses often loss track of their costs, warns Mark Pavan of Mapa management consultants. As a company grows it has fewer productive people. ductive people. It needs a secretary, a more prestigious location. It loses control of its cost base. A lot of film turn-over companies go through that. Their prices are no longer related to their current costs." An obsession with costs fre-quently leads companies to judge their own competitiveness purely in terms of price.

They respond to price cuts by their competitors with match-ing reductions of their own but fail to consider whether their

customers are buying their



Jan Scroby: Thought that she had "gone over the top" with pricing of a new indian warrior model range

they must be used carefully if the company is not to give away all of its profit margin. In the food sector on the Continent, for example, discounts to buyers and to customers are an important part of the price calculation.

Buyers are often judged on the discounts they negotiate rather than the price, explains Mike Feinson. A standard tactic for some buyers is to agree to a 10 per cent discount but then to come back and say they can only place the order if the discount is 15 per cent. Unless the vendor increases his price by 15 per cent before he goes into the negotiations his margins will be reduced or

disappear. Businesamen with a product to sell must also take into account the distribution struc-account the distribution struc-ture of the industry they are in. The large multiple grocery chains expect to pay less for the large volumes they require than grocery wholesalers or smaller retailers. If the food manufacturer has based his manufacturer has based his nrices on the level at which he can sell to the smaller custom-Discounts are one way of ers he will have difficulty shave responding to competition but ing his margina for the large

multiples when he starts dealing with them.
Companies should take into

the competition when setting idvice that comes from their more difficult." Setting prices and monitor-ing costs should be a continu-

ous process though many com-panies cling on to outdated cost and price calculations when customers and their products have changed. Pure Malt reviews costs monthly and prices usually every year. Marlborough Models produces costings every week "down to the last penny." But however scientifically a company attempts to price its products an element of uncertainty

In brief. . . account their customers and been established by the Lon-don Business School to co-ordi-

prices, marketing experts say. But they should be wary of own sales forces. "Lots of com-panies rely too much on their salesmen when setting prices," says Neville Wills. "Salesmen will resist any increase because it makes their job

remains. Customers are quick to point out if they think a

product is too expensive, says Jan Scroby. But, she adds: "There is no feedback that we

are underpricing."

tant, in Governments and It is not easy for officials in

public administration to appreciate the weight of the burden their activities place on business because few of these officials have personal experience of business, particularly of small business, Bannock says. Few officials come into contact with business people and those who do are of relatively junior status.

Another difficulty is that

spending in countries such as Britain and West Germany,

according to Graham Ban-nock, a small business consul-

Small Business.*

officials are only fully aware of the regulations for which they are responsible and not

nate the school's range of

training and research services for small and medium-sized

The centre is to introduce a

series of short courses and

seminars on subjects such as

valuing companies, legal ques-tions and negotiating, along-

side existing longer training

courses. It also plans to increase the availability of its

ulum 15 years ago few students took them up. Now more than

half the student population

takes these courses, says Cath-

erine Gurling, the centre's

Contact LBS, Sussex Place, Regent's Park, London NW1

■ National Westminster Bank

has set up a Technology Unit and a Seed Capital Loan Fund

aimed at helping technology-based small firms. The upit

4SA. Tel 01-262 5050.

research into smaller firms. When small business options were added to the LBS's curric-

Red tape goes on growing those of their colleagues. Businesspeople, in contrast, have to deal with all of them and

overnment regulations cost business large sums of money with a disproportionate part of the burden falling on the smaller have to keep informed about government requirements as company. Despite attempts in many countries to reduce the well as run their businesses. The burden falls most cost of red tape many officials concede that the most that has been achieved has been a slowheavily on the small company because it has limited administrative resources and cannot ing down of the rate of achieve any economies of scale achieve any economies of scale in dealing with government requirements. Since small businesspeople are often unable to delegate, dealing with the regulations involves the proprietor's own time which is the most valuable resource in the business. increase.
The cost of complying with government regulations, including the cost of administering (though not of paying) taxes may equal defence

in a large company the vol-ume of work involved in dealvalue Added Tax, employment legislation and local authority planning regulations allows for the employment of special-

new ideas and products to

bring them to the stage of mar-

ket launch. Finance will come

from National Westminster

Growth Options, the bank's

venture capital subsidiary. Part of the loans may be con-

Business in the Community

(BIC), the umbrella organisa-

tion for Britain's 300 enterprise

agencies is to mark the tenth anniversary of the movement's

foundation in June with the

launch of an Enterprise Works

campaign to attract more pri-

Enterprise agencies receive annual funds of £34m, nearly half of which comes from 5,000

private sector sponsors. Gov-

ernment funding is being

reduced however and the agen-

cles are preparing to increase

the amount of finance which

verted into equity.

vate sector support.

Most industrialized countries are now attempting to reverse the growth of burdens on business. Britain has set up an Enterprise and Deregulation Unit while the European Commission created a task force for small and mediumsized enterprises, now renamed the directorate gen-eral for enterprise. Steps which have been taken

tion include: requiring govern-ment departments to prepare 'impact statements' on the effect on business of any new proposals; simplifying proce-dures by creating one-stop advice bureaux and by co-ordinating demands for informa-tion from different depart-

Outmoded, unnecessary or overlapping legislation can be scrapped or replaced with general requirements backed by codes of conduct. Firms below a certain size can be given spe-cial treatment by making certain administrative burdens optional

However, a really significant reduction in government bur-dens will not be achieved until public administrations become more sympathetic to the needs of the business sector, Bannock suggests. Some countries are considering offering incentives to stimulate greater responsiveness to the needs of the public.

*By Graham Bannock and Alan Peacock. 278 pages. £29.95. Paul Chapman Publishing.

Charles Batchelor

Managing the growing business is the subject of a range of short courses to be held in comprises a network of local trained to understand the needs of technology compa-London starting in June. The part-time courses spread over seven weeks are designed to improve financial, marketing nies, the bank says. The loan fund will provide funding of between 25,000 and 250,000 to help fiedgling businesses research and develop and personnel skills.

Contact The Enterprise Partnership, 15 Park House, 140 Battersea Park Road, London SW11 4NB. Tel 01 627 4991. Fees from £250 to £295.

■ A new export guarantee package suitable for the small exporter has been created by TSB England & Wales. The package, called Trade Assured for Smaller Exporters, sets no minimum turnover limit for customers seeking protection against non-payment or delayed payments.

This contrasts with some other export schemes which specify minimum turnover levels of between £500,000 and £1m, TSB said. The smaller exporters scheme provides 100 per cent export finance for businesses with turnover up to fim and has been arranged in conjunction with the Export Credits Guarantee Department.

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mately on the market, he says.

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must also take into account

the competition, "Don't expect them to sit around and watch

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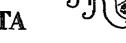
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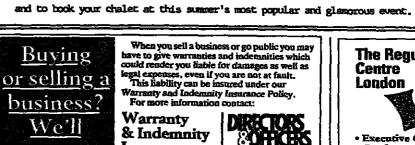
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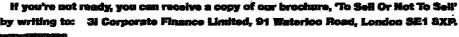
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Goya's portrait of the Marquesa de Santa Cruz, 1805

Goya: captured the spirit of his age

Denys Sutton reviews a major survey of the artist's work, currently in New York

one of the most unusual and brilliant artists of his period not only on account of his technique but his powerful and at times almost lurid imagination. He bridged two worlds, that of the late 18th century with its pastoralism and delight in charm and that of the 19th century with

its turmoil and revolution.

The major survey of his art, seen in Madrid and Boston and currently at The Metropolitan Museum of Art, New York, will undoubtedly appeal to enthusiasts for this master as well as to a wider public. Yet qualifications have to be made about the nature of the show. It is presented as one dealing with Goya and the spirit of Enlightenment, which is trated at length in an enormous catalogue. Although the essays in it are interesting, notably Nigel Glendinning's of Goya's circle, the entries are far too extensive and often of a speculative

As the theme of the exhibition is essentially an intellectual one, and as it seeks to make a contribution to cultural history, it should have contained a section devoted to those publications and other documents that constitute the background to the Enlightenment in

Spain.

Obviously the subject matter of many which are of the drawings and prints, which are admirably selected, is closely connected with contemporary problems and preoc-cupations; but what about the por-traits? It is tempting to ask if most of these reveal Goya, as an exponent of Enlightenment, if may wall be that we read into them information gleaned from the catalogue.

Portraits such as those of the Conde-Foundation), or of the same sitter and vision worthy of Stendhal.

QUEEN'S THEATRE, HORNCHURCH

"This is the one where you can get on the stage and dance if you want to," said the lady behind me to her friend as we dela" shouts a Hornchurch hip-

Trancisco Goya (1746-1828) is her family of 1788 in the Prado (she has married the Duques de Osuna in 1771 brilliant artists of his period, but was generally known under her maiden name) are typical 18th century compositions in which emphasis is placed on fashion and donesticity and, as such, they may be related to much English or French portrait painting of

the era.

The realism evident in the later portraits is not necessarily Spanish: this sort of approach may be found in North Italian painting, and Goya had visited Lombardy on his trip to Italy in 1770. His shillity to respond to the new style that emerged at the turn of the century recalls J.L. David's device poment, but he never become such a rigid necessarily. never became such a rigid neoclassical painter as the French master, Goya's skill in creating his own version of the radical movement of the day is revealed in his alluring portrait of the Marquesa

de Santa Cruz with a lyre of 1805 in the Prado. This picture helps to explain Manet's passion for Spanish art.

Obviously it is valuable to know about the personalities of Goya's sitters and their backgrounds. The catalogue suggests that the portrait of Goya's friend Jovellanos, a leading apostle of the Enlightenment, dating from 1708 (Prado) depicts him reflecting on "the grave responsibilities of his position" as Minister of Justice and Religion. Yet in the last analysis the impact made by this portrait and others of the same sort this portrait and others of the same sorthes not so much in their content (however this may be interpreted), as in their visual qualities — the bold brush strokes and golden-hued paint that indicate the furniture in this picture, or the brio of the handling of the plumes on the hat and the rich sash in the portrait of Ferdinand Guillemardet, 1778 (hostore), executed with a sharpness of

Goya's circle included many of the most fascinating Spaniards of his time. One of these was Bartolome Sureda, who combined a love of art with the drive of an entrepreneur and who spent several years in England, Goya's por-trait of him of 1804-6 in the National Gallery of Art, Washington DC is especially brilliant: once again appreciation of it depends less on our knowledge of the sitter's life than on an awareness of the way in which Goya renders the "still life" of the hat with its red lining and the delicate grey tonalities of the coat that are contrasted with the white, red and blue colours of the cravat and

That Goya had an immense gift for evoking atmosphere is shown in the portrait of the Condesa de Chinchón, 1800 (private collection) in which the figure is picked out as if by a spotlight. His eye for colour, as is often the case with Spanish painters, is shown at its best with low-key contrasts and is evident in "Maja and Celestina on a Balcony", 1808-12 (March Severa Collection), which barks back to the tradition of Marillo of Murillo.

One of Gova's most original paintings is the portrait of Dr. Arrieta tending the artist, 1820 (Minneapolis) in which the enigmatic figures in the background appear like Fates. The broadly treated areas of paint in the garments recall those associated with late Titian or late Rembrandt: the darkish hues are offset by the refined crimson of the coverlet. This is a picture that conveys an understanding of humanity in tune with that found in Beethoven's late quartets. Beethoven comes to mind when looking at the "Courtyard with Luna" tics," 1793-4 (Meadows Collection), or the "Prison Interior", 1808-12 (Bowes serve as a setting for Fidelio. The claim that Goya was a painter of light may be interpreted in more that one way; he was a master of chiaroscuro. The extent of the influence on him of Dutch paint-

ing might well be examined.
Goya's virtuosity is astonishing. The artist, who became famous for his black paintings, was also the creator in his early years of such tapestry cartoons as "Winter," 1786 (Prado) or "Highwaymen attacking a coach," 1786-7 (private collection), which was commissioned by the Duquesa de Osuna and is in the picaresque tradition, presenting the sort of romantic image of Spain that captivated Théophile Gautier and Rich-

In view of his interest in modern life, it was hardly surprising that Goya should have undertaken in 1812 to paint "An Allegory on the Constitution of 1812" (National museum, Stockholm), which for many will prove one of the "discoveries" of the exhibition now that it has been freed from old restorations. Goya's desire to comment on contemporary events and to find a means of presenting them in symbolical terms, give profundity and vivacity to his many drawings and prints: the use of wash in the former enabled him to create an atmosphere of mystery. That interpretation of such works gives rise to different explanations is a sign of the inventive genius of a master who in many ways captured the spirit of his

age.
This exhibition, which closes on July 12, has been supported by various spon-sors including Manufacturers Hanover, the New York Stock Exchange Founda-tion Inc., the Banco Central and the Rob-ert Wood Johnson Jr. Charitable Trust. Museum, Durham): the latter could by Iberia Airlines.

by Michael Weller), and a gen

eral muffling of the hard and greasy rock beat of the origi-nal. The mistake has been to

suppose you can both revive

Hair as a period piece and pander to a new audience.

A dismal scaffolded design is

dominated by Glen Wil-loughby's gigantic Statue of Liberty head. It all reeks, tack-

ily, of yesteryear, when the thing to do, surely, was to do the piece exactly as it was in a

fresh design.
Meanwhile, this ungainly hybrid will depart in the second week of June on a nine-

Michael Coveney

Berlioz

Brighton Festival

The final two concerts in this year's tricolour-dominated Brighton Festival formed a litsignon resitval in them-selves – the Symphonie jantas-tique and its seldom-performed sequel on Saturday, La Damna-tion de Faust on Sunday. The concerts, exhilarating experiences both, combined the efforts of the City of Birming-ham Symphony Orchestra and the Brighton Festival Chorus, and demonstrated that Simon Rattle is on the way to becoming one of the world's impor-tant Berlioz conductors.

The Fantastic Symphony, a The Fantastic Symphony, a symphonic argument which disgorges a journey to hell, is one of the staples of musical life; its sequel, Lélio, or The Return to Life, a monodrama for speaker with musical insertions, is a rarity. The first work does not "need" the second. In the spoken passages of Lélio, Berlioz poured out his passions — for Shakespeare, against the contemporary Philistines — and around them he listines – and around them he assembled numbers already in existence. The idea fire from the symphony is hinted at in the dying moments; but no real dramatic coherence informs its structure or joins the two

works. There are two views of Lélio. One is that it is a ridiculous farrago, a youthful folly of Berlioz's, a cul-de-sac from which he soon extricated himself: the other is that it is an early ancestor of the concert-hall music-theatre which become such a preoccupation of com-posers in the 1960s and 70s. I hold them both, and allow

one to temper the other. The combination of symphony and sequel can, in fact, prove uniquely disarming — espe-cially in so completely enjoy-able a performance as Brighton's, in which Barry Foster, pacing around a crimson chaise-longue next to the con-ductor's podium, impersonated Berlioz (in English translation) with enormous charm, wit, and elegance, and Rattle and his musicians (the chorus and John Mitchinson and David Thomas as soloists) gave excel-lently fine-tempered and poised accounts of all the numbers. It was impossible not to be swept along by the high-toned theat-ricality of it all: in these cir-cumstances the suspension of disbelief (and ridicule) is, after all, a tour de force, and it was

all, a tour de force, and it was achieved here.

Rattle and the CBSO make a marvellous Berlioz team. The keyed-up musicianship of the ensemble and the light (in the best sense) quality of the orchestra's tone-colours offer an ideal starting-point for the application of this composer: exploration of this composer; the conductor's native feeling for the cutting edge of the sounds and rhythms, his determination not to them smooth over, made of both the sym-

end" two thrilling Berlioz jour-neys. One slight limitation in both performances may have been the fault of the Dome's dry acoustics: the lack of dis-tancing and suspended animation in the symphony Adagio, and in all those moments in La Damnation where a single voice or strand of colour is left

Rattle's enthusiasm for Berlioz seemed at these points a little too insistent, lacking in the feeling of detachment that acts as the opposite pole to the composer's high-Romantic ardour. (But, particularly in the second concert, he may also have been provoked by the beastly rackety coughing that barracked the musicians continually, until finally his exqui-sitely courteous plea for audience mutes and mufflers succeeded in damping it down.) The chorus, even though without the bright high tenors so often required by the music,

were in vital, well-prepared form; the Damnation soloists were Maria Ewing (a Margue-rite treading a fine line between exquisitely nuanced sensibility and mannerism), David Rendall (a well-schooled Faust not in his best voice) and Willard White (strong-singing, not yet wholly inside the Berlioz style). The concerts were sponsored by American Express and Seeboard.

reveal a limitless blue horizon,

provides haunting moments on its raked oval stage. The

masque conjured up by Pros-

pero is truly magical: through the gauze appears a field of golden corn studded with pop-

pies as peasants from a Millet

Max Loppert

The Tempest

BARBICAN

Such a consistently thought out and masterfully handled production, backed up by technical accomplishment and sheer stage know-how, shows up some of the RSC's recent, and indeed current, work as the callow footling romp it is. Nicholas Hytner's *Tempest* is the most proficient of the offer-ings so far transferred from Stratford to the mini-Metropolis in EC2. Michael Coveney's original welcome in these pages can only be endorsed; with the proviso, perhaps, that in both theatre and opera Hytner is emerging as a cerebral director rather than one who touches the heart. He thinks with clarity but feels less generously, or at least less obvi-

Paradoxically (or predicta-bly) the main fault with the production lies in the overemphatic speech. This is certainly the reverse of the frequently uncomprehending dis-regard of sense and sensuousness that mars most young actors' approach to Shakespeare. Everything is italicised, stressed, underlined, interpreted almost out of existence. The emotional Prospero that John Wood gives us makes a meal of the "gooor-geous" palaces and throws in the odd emphasis to boot ("OUR little life is rounded

with a sleep"). This Prospero has been seething throughout his exile; adversity has not taught him stoicism. In the account of his banishment he weeps, shouts and shakes with rage, which certainly for once keeps us and mently argumentative reminder of Ariel's sufferings has the spirit screaming as both re-enact Prospero's release of the sprite from Sycorax's bondage. Vulnerable, he claps his hands to his head, touched or tormented by visions and memories. He demands Ferdinand's attention with a fit of petty anger. Luck-ily the actor has both the intel-

John Wood

run the glottal gamut. Nothing is taken for granted in this production, the text has been rig-orously combed out. All to the good; but a little more affectionate relaxation and casualness would not come amiss. David Fielding's clean, delicate design, grey curtains ruched into scalloped clouds to

canvas perform an elegiac country dance. Here as elsewhere (notably in the distant voices accompanying Ariel in "Full Fathom Five") Jeremy Sams' elusive music does indeed create an isle full of noises, sounds and sweet airs. Free from the corny accretions of traditional stage business, in the case of Desmond Barrit's Trinculo speaking lines with a slow plaintive dryness which makes them sound wittier than they are, the clowns sum up the Hytner attributes. Lucid, imaginative yet carefully disciplined, the production lacks the ultimate flame, an emotional commitment from a director who nevertheless demands a constant state of excitement from his actors. The young lovers are certainly adequate, Duncan Bell's Ariel as intelligent as the rest, John Kane's rasping Caliban played straight. Techni-

Martin Hoyle

cally it is the finest show at

the Barbican. Once more with

Tanita Tikaram

feeling.

THEATRE ROYAL, DRURY LANE

We have been here before, the young girl singer-songwriter who expresses the fears, joys, hopes, and banalities of her life through polgnant poems around which hang plaintive, gossamer, melodies. Tanita Tikaram is a fine specimen of the type only in her rapid rise, from the ranks of Basingstoke sixth formers to a multi-million selling first album in a couple of years.
Still only nineteen, she spent

the weekend playing at the grandest showcases in London – the Theatre Royal, Drury Lane on Sunday, the Palladium last night. These were very clever venues for her, the plush of showbiz history contrasting with the stark simplicity of her performance. She made no attempt to storm the stage; she won instead the sympathy vote of packed col-lections of fans who were reverent, too reverent, in awe and admiration.

Wearing dark grey convent school uniform above black stockings, obviously intent to hide her body just as her songs disguise her soul with their elusive lyrics, she treated the audience at Drury Lane with remote detachment, not gushing, but not too timid either. At first you are amazed she dares front the band – her your sounds as if it comes voice sounds as if it comes from beyond the grave and lacks variation or sweetness. But her five piece band is hot and strong, made amusing by the inclusion of a saxophone to the far left and a violinist to

the far right. But you are there for the songs, for the glimpses into a young girl's fantasy. They are less café sophisticated than those of her American contemporary Suzanne Vega, and deal with more mundane subjects, the hit "Good Tradition" being about the pains and pleasures of family life, "Poor cow" about the Saturday night cattle market in the local disco. They are irritatingly addictive, never quite turning out as facile as they initially suggest, the obscurity of some of the words forcing you deep into their

mystery.
It is good that this style of music, created twenty years ago by Joni Mitchell and her like, should be enjoying a revival. There is an inevitable similarity about the genre and searching for the nearest paral-lel to Tanita it is hard not to hit on Melanie, another Sixties flower child enjoying a come-back. There is the same little girl ingenue touch, covered with a necessary toughness.

It is easy to switch off at a

Tanita Tikaram concert but soon you find yourself plug-ging in again. She seems capa-ble of adding an unexpected twist, that outside view, perhaps a legacy of her outside origins — she came to southern England from a childhood in Germany and with Malaysian and Fijian parents. She is a promising young filly, who has won all her maiden races: whether she can stay the course over longer distances is uncertain. But the ease with suit her personality suggests

Antony Thorncroft

Louis Benjamin retires from Stoll Moss

Mr Robert Holmes A Court, Chairman of Stoll Moss Thea-tres, has announced that Mr Louis Benjamin will retire as years ago, has held every important administrative post President of the company on September 30. Mr Roger Filer is

in the company. Stoll Moss currently controls a dozen of the West End's leading com-mercial theatres, including appointed managing director with immediate effect.

Mr Benjamin, who joined Stoll Moss as an office boy 52 mercial sector.

Mercial theatres, including four on Shaftesbury Avenue, and accounts for 32 per cent of all theatre seats in London's commercial sector.

Hashish and sodomy were ARTS GUIDE

settled down at Hornchurch for

a wallow in nostalgia in the Age of Aquarius. She had for-

gotten that someone would

also sing "Masturbation can be

fun, join the Holy Order Kama

became a sensation in New York and London, it is salutary

to recall that it was not even shocking then, it mouthed hip-

pie slogans for bourgeois con-

sumption in a barely coherent

story of draft-dodging, tran-scendental meditation and

communal urchin rebellion.

Twenty-one years after Hair

Sutra, Everyone."

London

The London Philharmonic, with the Brighton Festival Chorns, conducted by Lorin Maszel, with Jessye Norman (soprano), Gary Lakes, (tenor), Samuel Bamey (bass), Berlioz. Royal Festival Hall. (Tues) (928 3800). English Chamber Orchestra, conducted by Georga Malcoim, with Hiromi Okada (plano). Macis; Rakowski (vlolin), William Bennett (flute). Bach, (Brandenburg Concerto); Mozart. (Piano Concerto No 23). Barbican Hall (538 3831) (Wed) Hall (828 890) (Wed).

Orchestra of the Age of Enlightenment, conducted by Sigiswald Kutiken, with Timothy Brown (horn), and Lisa Beznosink (flute). Mozart. Boyal Festival Hall (928 8800) (Wed).

Ensemble Orchestral de Paris conducted by Mario Venzago, Philip Bride, (violin). Schubert, Spohr, Landowski, Mozart. Saile-Gaveau (Tue) (45632030). Paris Opera Orchestra conducted by Lothar Zagrosek. Roeller, Zim-mermann, Paris Opéra (Tue) (37425871).

(47425371). Orchestre de Paris conducted by Daniel Barenboim, with Mar-tha Argerich, (piano). Mozart, Gaussin; Rachmaninov. Salle Pleyel (Wed, Thur) (45830796). Barcelona Trio, Brahms, Guin-loan, Ravel, Salle Gaveau. (Thur) (45837939).

Religion National Orchestra con-ducted by Georges Octors in the

final round of the Queen Eliza-beth Violin concert. Palais des Beaux-Arts (Tue-Thur). Les Pastoreaux Chorus accompa-nied by Waterloo Chamber Orchestra conducted by Ulysse Waterlot with Marie-Noelle de Callatay (soprano). Mozart, Egiise St Joseph, Waterloo.

pie, just for the updating hell

show that jumped on the grave of the Lord Chamberlain with

its rude words and nudity? Princess Anne joined the cast

on the Shaftesbury Theatre stage, I remember, and Anna-bel Leventon stuck a flower up

my nose. What Hair always had was some wonderful surging melodic rock music by Galt

MacDermot, notably the title

fribal number, a couple of wistful ballads and one of the best

Shakespearian settings since John Dowland, "What a Piece

Oh dear. Was this really the

Berbara Bonney, (soprano), accompanied by Geoffrey Par-sons, Wolff, Richard Stranss

(Tue).
Notherlands Philharmonic
Chamber Orchestra with Mar-leke Blankestin (violin), Autoni
Ros-Marká conducting, Hayda,

Rotterdam Notherlands Philhermonic Chamber Orchestra, with Mon-leke Blankestijn (violin), Antoni Ros-Marià conducting, Haydn, Mozart, Ravel (Tue) Doelen (413

Mozart, Hindemith (Thur), Beurs (270486).

Wiener Fest Wochen, annual festival of music dominates the scene in Vienna after its opening on May 11 and continues through to June 18.
Wiener Saxophonquartett. Rischot, Clemencic, Ebenhoh, Kratochwil, Palais Ferstel (Tues). Cleveland Symphony Orchestra, conducted by Christoph von Dohnanyi. Bartok, Mahler. Konzerthaus (Wed).
Cleveland Symphony Orchestra. Bach. Webern, Scheenberg, Brahms. Konzerthaus (Thurs).

Euromusic Concerts, Constance Channon Douglass (piano) playing Chopin (Tues) Teatro Ghione, Via della Fornaci 37. Nikolais Dance Theatre of New York in five pieces choreo-graphed and designed by Alwin Nikolais. Teatro Olimpico

of Work Is Man," full of shift-ing rhythm and emphasis. Out-of-town Claude (John

Purcell) falls in with the sim-

pering, denim-clad and bead-strewn Greenwich Village tribe en route to joining up for ser-vice in Vietnam. He is seduced

by the protest movement and the personalities of its chief

apologists, the charismatic

Berger (Steve Edwin, outstandingly good) and the placard-wielding activist Sheila (Siân Reeves). Draft cards are burnt at a Hare Krishna Be In ("Any-

body who says pot is bad is full of shit"), though Claude pre-varicates by burning his driv-

After some jolly knees-ups in the causes of anti-racism and

Washington

National Symphony Orchestra conducted by Mstislav Rostro-povich. Offenbach, Britten. Ken-nedy Center Concart Hall (Thur) (254 3776).

Chicago

St Paul Chamber Orchestra conducted by Christopher Hogwood featuring Handel, Mozart, Pergo-lesi. Orchestra Hall (Tue) (435

Tokyo

Moscow Philharmonic Orchestra, conducted by Dmitry Kitsenko, with Vladimir Krainev (piano). Trhatkovsky, Glinka, Suntary Hall (Tues) (506 1010). Finnish Radio Symphony Orchestra, conducted by Jukka-Pekka Saraste. Sibelius, Mahler. Suntary Hall (Wed) (235 1661). Tokyo Symphony Orchestra with Kiri Te Kanswa, conducted by John Popkins. Opera arias. NHK Hall (Wed) (403 9999). Rusemble Wien. Mosart, Dvorak, Schubert. Tokyo Bunka Kaikan (Thurs) (363 1651).

OPERA AND BALLET London

Royal Opera, Covent Garden.

The latest showing of the splen-didly exotic Andrei Serban pro-duction of *Turandot* is well conducted by Stephen Barlow, but the cast is uneven.

lyrics of Gerome Ragni and James Rado concentrate on

scatter gun satire and an apoc-

alyptic acid trip in which

Claude goes to get the gooks and is killed. The cast mourn

him by removing their wigs,

placing flowers on the stage and letting in the sunshine in

that famously insidious finale.

All this is fine, but getting in and out of lesser items is the

musical's chief structural

weakness, and incessant tin-kering by the authors, and the Hornchurch directors Bob Tomson and Bill Kenwright, has not improved anything. We have several indifferent

new songs, some from the 1979 Milos Forman film (which had

Opera. York Hoeller's world pre-miere of *Le Maire et Marquerite* conducted by Lothar Zagrosak/ John Burdekin in Hans Neuen-fels's production is inspired by Mikhall Bulgakov's novel describing the Devil on the loose in Stalin's Moscow (47425871).

Théâire Royal de la Monnaie.

L'incoronatione di Poppea by
Monteverdi with Catherine Malfitano as Poppea, Marek Torzewski
as Nerone. The orchestra of the
Monnaie conducted by Sylvain
Cambreling, orchestrated by Philippe Boesman, staged by Luc
Bondy (Wed).

Stastaoper, in repertory: Il Viag-gio a Reims, conducted by Chau-dio Abbado, with a cast including Cecilia Gasdia, Noriko Sasaki and William Matteuzzi. Maria Shuarda, conducted by Ion Marin, with a cast including Agnes Baltsa, Mara Zampieri, Georg Tichy, Alexander Maly. Cho-wans: htts://dia.conducted by Claudio Abbado and stung by manschischina, conducted by Claudio Abbado and stug by includes Ludmils Schemischuk, Brigitte Poschner-Klebel, Joanna Borowska (51444, ext2660).

month tour.

anti-pollution, the book and a wittily reflective screenplay

Teatro Dell'Opera. Lively pro-duction by Mauro Bolognini of Francesco Cilea's Adriana Lecou-vreur, conducted by Daniel Oren. Raina Kabaiyanska is excel as the tragic heroine, with a fine supporting cast which includes Alberto Cupido, Ivo Vinco

Teatro Alla Scala, American soprano, Kallen Esperian sings the title role in Verdi's *Luisa* the title role in Verni's 1,223.

Miller, taking over from Karia
Ricciarelli who was roundly
booed by the gallery at the open
ing perfomarmance on May 2.
Also in the cast are Giuseppe
Giacomini, Paata Burchuladze,
Susanna Anselmi and Alberto
Cupido, conducted by Zoltan
Boeto, Also Francesco Class's esko, Also Francesco Cilea's Adriana Lecoureur, with Mirella Freni, Peter Dvorsky and Ales-sandro Cassis, conducted by Gianandrea Gavazzeni(80.91.26).

Opera: Theatar des Westens.

Rigoletto in Hans Neunenfels production features Angela Denning, Ingvar Wisell in the title role and Victor von Halem. Also a ballet evening Les Internationals du Coeur, with thoreography by Roland Petit.

Opera. Ariadne and Naxos stars Edita Gruherova, Helena Doese, Peter Lindroos, Richard Cowan, William Murray and Susanne Mentzer. Die Entführung aus

cast led by Sylvia Greenberg, Isolde Siebert, Hans Peter Bloch-witz, Wilfried Gahmlich and Jaako Ryhaenen, Also the new Youris Vamos/Michel Scott ballet production Comming Burana.

May 26-June 1

Opera. Iphigenie in Aulis by Gluck will have its premiere this week. The new Uwe Schwarz production features Pla-Marie production learning Fla-Marie Nilsson, Frederick Burchinal, Renate Behle. The successful Graham Vick production of Cosi fun tutte is revived. Rusalkais respectable with Eva Randova, Clarry Bartha, June Card, Manfred Schenk and Allan Glassman. Rigoletto has Jonathan Summers in the title role for the first time.

Opera. Three operas from the Ring cycle, Das Rheingold/Die-Walkdref Siegfried all conducted by Wolfgang Sawallisch. The main parts are excellently sung by Mariana Lipovsek, Kurt Moll, Sabine hass, Hildegard Bebrens, Rene Kollo and Robert Schunk. Rigolctio has a first rate cast led by Francisco Aratza, Mariella Devia and Juan Pons. Also in Devia and Juan Pons. Also in repertory: Il Barbiere di Siviglia.

New York

New York City Ballet. The 90th New York season continues with mixed programmes featuring Sucm Lake, Midsummer Night's Dream and Slaughter on Tanth Avenue. Ends June 25. Lincoln Center, New York State Theatre-

FINANCIAL TIMES

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Tuesday May 30 1989

Judge and

LAST WEEK'S US decision to name only Japan, Brazil and India for unfair trading practices marked a milder interpretation of last year's Trade Act than had at one stage been expected. But relief at this outcome must be tempered with foreboding in view of the parallel announcement that the Bush Administration is to seek wide-ranging talks on eco-nomic adjustment with Japan.

The citation of Japan for priority trade action under the so-called Super 301 clause of the Trade Act for its specific policies with regard to wood products, satellites and super-computers pales into insignificance compared with these broader negotiations. Their vaguely worded remit far transcends trade policy. It high-lights, instead, the entire bilateral relationship between the world's two economic super-

The presumption in Washington appears to be that the Japanese economy (and so Japanese society) can be changed by negotiation into something similar to that of the US. The attempt, itself illegitimate, is, in any case, sure to fail. Though seen as an alternative to managed trade, these negotiations would appear to have no other likely outcome. If so, the world's most important bilateral economic relationship would have been moved out of the embrace of the market and into that of politics.

Internal struggle

Taken together with the Super-301 list this leaves little room for complacency about the direction of US policy. The decisions were reached only after a flerce internal struggle inside the Bush Administration. A number of ancillary warnings has been issued. including one to the European Community on intellectual property rights. And the deci-sion to single out Brazil and India must remain a point of

Brazil and India do practise protectionism, but their policles are no worse than those of most developing countries. Nor have those policies been proved impermissible under their international obligations. It looks as though the US is for the obstructive role they have been thought to play in the Uruguay Round talks on trade liberalisation with respect to two objectives that the US holds dear: liberalising trade in services and agreement on new rules on protect-

ing intellectual property rights. Another explanation for their place on the list is that other countries which were equally vulnerable to denunciation took effective evasive action, South Korea agreed a broad-ranging package of trade liberalisation measures in the run-up to last weekend's deci sions. Taiwan, too, has again allowed its currency to appreci ate sharply this year. Indeed Mrs Carla Hills, the US Trade Representative, has already expressed her satisfaction with the way in which the threat of being named prompted reform efforts in a number of coun-

Bad principle

But short term expediency is a bad principle. The fundamen tal problem for the multilateral trading system is that the US its founder and ultimate guar-antor, has altered the balance of its policy. It will abide by its agreements when convenient, but it will also break them when convenient and woe betide any weaker country that crosses it. This aggressive approach strikes at the heart of the multilateral system not because of the unilateralism alone, but because agreements reached in the course of multilateral negotiations might be scrapped whenever the US uni-laterally decides they should be. What then is the value of such agreements?
The fundamental problem

for the international economy is that the US now seems to be embarked on a course likely to end up with managed trade with Japan. The EC may follow suit and, in time, they and oth-ers are likely to find this the preferred approach when dealng with such uncomfortably competitive trading partners. That would hurt them, their trading partners and the inter-national economy as a whole. It would, indeed, throw away one of the fundamental source of success of the market-oriented economies in the post-

Ireland's good two years

ALMOST entirely by coincidence, Mr Charles Haughey, the Irish Prime Minister, announced a premature general election in his country in the same week that his Government reached agreement with Britain on the review of the working of the Anglo-Irish Agreement. Not at all by coincidence, the Irish election will take place on June 15 - the same day as the elections to the European Parliament. Those events together form a useful peg for taking stock of developments in the republic

and in Anglo-Irish relations. Mr Haughey's latest premiership has been in many ways his most successful. He has led a minority Government which has presided over considerable improvements in the Irish economy. There has been a resumption of economic growth and the country has been enjoying its first trade surpluses since 1967. Inflation is down below 3 per cent and the Irish currency has held its own within the exchange rate mechanism of the European Monetary System.

High unemployment

There is a very strong view, however, that Mr Haughey's present Administration has only achieved as much as it has precisely because it lacked an overall majority. The main opposition parties have been notably supportive of the basic economic policies, including some cuts in public expendi-

It is also true that while the economy may have turned round in the last year or two, some serious defects remain. Unemployment is still at around 18 per cent, net emigra-tion, which includes the loss of skilled young people, continues to run at over 30,000 a year, and, by the standards of the European Community, perhaps a quarter of the population is living in poverty. Ireland is the third poorest member after Greece and Portugal. Thus, although the recovery is genuine, there is still a long way to

The most heartening conclusion after the last two years is that the country as a whole has become more realistic both about the constraints on its development and about its opportunities. It is a small country trying, not without success, to make its way in a wider community. Mr Haughey's minority Govern-

ment has been pragmatic.

Security lapses

Much the same may be said about the working of the Anglo-Irish Agreement. It has been neither the cure-all nor the disaster that some people predicted when it was signed in November 1985. It has survived a change of government in Dublin. The agreement was signed by Mrs Margaret Thatcher and Dr Garret Fitz-Gerald, not by Mr Haughey. But Mr Haughey, as Taoiseach, came to live with it.

There have been some terri-

ble lapses in security as the IRA gained access to new weapons, but, by and large, cross-border co-operation has become the rule rather than the exception and is still increasing. In the past the heads of the respective police forces in north and south were scarcely on speaking terms; they now meet regularly. And, in the north, there may even have been some political rewards. The local elections earlier this month showed some decline in support for the extremist parties: Sinn Fein and Mr Ian Paisley's Demo-cratic Unionists. Mr Peter Robinson, once one of Mr Paisley's hard-line lieutenants, has soft-

Thus the agreement goes on. It will be extended to co-operation in other fields: health, energy, transport and agriculture, for example. That is entirely appropriate within the context of the EC. Britain and Ireland are learning that they are two quite different coun-

Haughey now wants to break out of the constraints imposed by minority government. He may claim to have lived down some of his earlier reputation for recklessness, both on the economic and the political fronts. There is also a perfectly practical case for going to the polls on the same day as the elections to the European Parliament. Yet the constraints imposed by the lack of a majority in the Dail were in many ways helpful and the electorate may remember that the opportion parties, too, played a con-structive role in what has been a good two years for Ireland.

David Buchan begins a series on next month's European Parliament elections

here is at last a smell of real power emanating from the European Parliament, that unique experiment in transnational democracy designed to give the European Community's 242m voters a direct say in Europe's future. The voters' five-yearly chance to

exercise this right comes around again in elections on June 15 in the UK, Ireland, the Netherlands, Denmark and Spain, and on June 18 in the other seven EC states. Going by the past pattern of the 1979 and 1984 direct elections (before

1979 members of the European Parliament were nominated by their national parliaments), only an average of about 60 per cent of EC voters will actually bother to cast a ballot. Turn-out could be higher this time. Ireland and Luxembourg are holding general elections on the day of their Euro-poll. National election fever is running high in the Netherlands, Italy, Spain, and Germany, where the Euro-election results will be read for what they portend in forthcoming national polls. In the UK, where less than one in three of those eligible voted in 1979 and 1984, interest in, and

conflict over, Community issues, is running at an all-time high.

There is, of course, still a powerful turn-off factor. Some of the 518 members of the European Parliament (MEPs) are seen to be more interested

in perks than power.
But those elected this time round and whose mandate will run to 1994, will have a good deal to say on the future of the Community's single market programme and the new drive to balance this with a comprehensive

balance this with a comprehensive social programme for Europe.

Under the 1987 Single European Act the parliament acquired more powers than it had gained in the previous quarter of a century, including certain rights to amend or reject EC legislation and to rule on many of the Community's foreign treaties. And it may not ston there may not stop there.

Even if the parliament does not initiate anything itself, it might try to hold the initiatives of others — such as those governments wanting a fresh treaty on economic and monetary union or the admission of new EC member countries - hostage to its

own demands for more power. Closely linked, too, to the parlia-ment's future remit are the ambitions of the European Commission. Its president, Mr Jacques Delors, has predicted that in 10 years, 80 per cent of lecisions on economic and social matters will be taken at Community level.

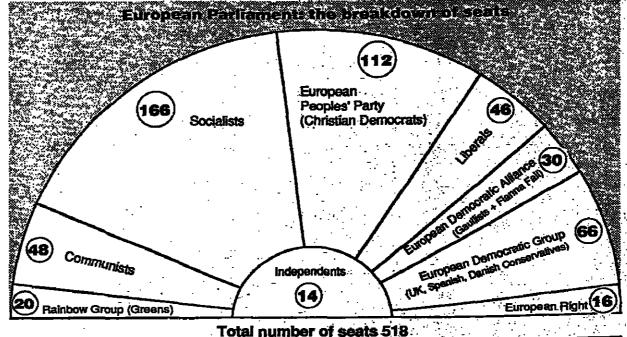
That forecast, not so implausible in

the context of the Single European Act, has set on edge the teeth of many national leaders and parliaments, not only those of Mrs Margaret Thatcher and her Westminster colleagues. British reservations are aggravated by the fact that Westminster, with its Ill-dereloped committee system, is one of the 12 national legislatures least suited to effective scrutiny of what goes on in Brussels.

However, the central point is that even the most exacting national scrutiny system, like the Folketing's EC committee that keeps Danish ministers on the tightest of reins, is of no avail when ministers can be outvoted on many matters within the Council of Ministers. What has come to be called the "democratic deficit" can probably only be made good in Strasbourg.

There are other reasons to cast a vote next month. One is the new relevance of the way that the 518 MEPs divide themselves along rough ideological lines into eight groups, rang-ing from the Communists and Greens on the left, through the big battalions of Socialists and Christian Democrats in the centre, to the small, far right led by Mr Jean-Marie Le Pen, leader of France's National Front.

The ideological pattern is complex. especially to those used to the clean cleavage of a two-party system. The



Seats per country

W.Germany 81 France 81 81 Spain 60 Netherlands

Belgium 24 Portugal^{*} Greece 16 Denmark Luxembourg

A mandate which goes beyond 1992

main European political "families", of Communists, Socialists, Christian Democrats and Liberals (who are to the right of their UK counterparts) are well represented. But the right is not homogeneous. Nationalist senti-ment, among other things, divides France's Ganllists and Fianna Fail of Ireland from the UK Tories.

Italy

As long as issues like agricultural policy dominated the debate, with divisions more along national lines (and with, for instance, British Conservative and Labour MEPs all for reform and all French against it), the parliament tended just to duplicate the national clashes taking place in the Council of Ministers. It is also true that much of the detail of EC ssues remains highly technical and thus non-ideological, and that when an issue like French blocking of British lamb flares up there is a quick

national regrouping.

However, the new agenda is more likely to divide members on "leftright" lines. It encompasses the probusiness single market programme, the proposed EC social charter for workers rights, and even environment and consumer protection. These issues are already leading to realignments among the parliament's eight groups. Spain's right-wing Partido Popular, for instance, having decided to realign with Christian Democrats at home, is deserting the British Tories whom it finds too opposed to Community social legislation.

If these issues are to be debated in these terms, Strasbourg is clearly the place to do it. However, it does not, so far, suffer from the surfeit of ideology that afflicts Westminster. A continental preference for compromise is reinforced by the nature and size of the Socialist and Christian Democrat groups, and a voting rule that makes am want to join forces where possible. This requires 260 votes or an absolute majority of all MEPs for amendments to, or rejection of, most

EC directives.

Voters should also be aware that they are no longer sending political eunuchs to Strasbourg. The European

Few legislatures can match the European Parliament's record in terms of influence over its executive

Parliament does not have direct control over an executive. But it has the power, which it has never used, to censure and dismiss all 17 (and only all 17) Commissioners. The Council of Ministers is not generally accountable to it, though it has become recent practice for the EP president, in the avuncular form of Lord Plumb, to address the twice-yearly EC heads of government summits. If ex-President Valéry Giscard d'Estaing of France were to succeed in his hid to follow

Lord Plumb, it is hard to imagine him being shut out of his old "club". The European Parliament still only

parliamentary aggrandisement. But even this is changing through the five-year deal reached last year under which it got some say over agricul-tural spending, in return for conform-ing to Council decisions in other areas of expenditure dearer to the European ament's heart.

And there are two new levers the parliament can bring to bear. One is called the co-operation procedure. This gives the parliament a powerful say on that internal market legislation which the Council can decide by majority voting. On these issues, the former can on second reading amend or reject a Council position, provided it can muster 260 votes to do so.

What happens next depends on the Commission, which is the transmission belt between the Council and the European Parliament The Commis sion accepts the amendment, then it takes unanimity among all 12 govern-ments for the Council's initial view to revail. But because of majority votg such unanimity is hard to muster It is, for instance, precisely because of such an parliament Commission alliance, that the Council now looks likely to accept tougher car emission standards than it agreed to last November. If, on the other hand, there is a parliamentary amendment without Commission support (as on a broadcasting directive last week) or outright rejection (as on a benzene protection measure last year), then the olds are heavily stacked against MEPs. For their view can only prevail in the unlikely event that all 12 gov-

ernments agree with them.

But, overall, the record is impreshas partial control of Community

But, overall, the record is impressive since the Single European Act

took effect in July 1987. Half of the parliamentary amendments have been accepted by the Commission, and half of those in turn accepted by the Council. Not many national legislatures can match this in terms of influence over their executive.

over mear executive.

The parliament's other lever is the power to veto, or delay, certain EC treaties with third countries, or applications by third countries for Community membership. The requirement for membership. for parliamentary approval by an absolute majority covers only "association" treaties of the kind that the Community has reached mainly with Mediterranean countries. Since the EC does not intend to negotiate many

EC does not intend to negotiate many more of these. Governments evidently thought they were offering the European Parliament just a crumb.

What they seemed to forget is that such association treatles need to be regularly renewed. This "assent procedure" has been used 31 times since the Single European Action of Amine. the Single European Act's coming into force in mid-1987. Lest year the European Parliament refused for six months to renew the association accord with Israel until the latter had made good its prumises to let Palestinian farm produce from the occu-pied territories freely enter the EC.

The power over Community-enlargement may in the end be of more consequence. One of the biggest obstacles that Turkey must reckon with in its current application for membership is its need to get 280 favourable votes from a body that has frequently condemned it for human rights violations by larger majorities. There is a certain irresponsibility built into any chamber entirely com-posed of backbenchers. Resolutions about East Timor independence or Amazon rain forest protection, issues over which the EP has no direct influ-

over which the EP has no direct initience, can seem irrelevant.
However, the European Parliament's new powers have conferred a
new sense of responsibility, and have
certainly brought the individual MEP,
more job satisfaction. Mr John Tomlinson, a UK Labour MEP, even goes
so far as to claim he can do more for
his West Midlands constituents than
when he was a minister in Whitehall.
Parliament's new assertiveness has

Parliament's new assertiveness has made it an obvious target for lobbyists. On any day during Strasbourg plenary sessions, there are reckoned to be an average of 150 lobbyists in attendance, excluding foreign diplo-

Most lobbying of the European Parliament, however, occurs at its committee sessions in Brussels where much of the work is carried out. The parliament's work is further dispersed by the obligation on parliamentary staff to reside in Luxembourg. Virtu-ally all MEPs now want a single work-place, preferably Brussels, where they can be close to both the Council and Commission. Though there is very lit-tle prospect of either France or Lux-embourg ceding their role as host to the parliament, Mr Enrico Vinci, the parliament's secretary general, says: "I will insist on moving some plenary activities to Brussels".

Others have more grandiose aims for the next five years. Mr Bill New-ton-Dunn, an almost endangered spe-cies of ardent federalist among UK Tory MEPs, wants a new treaty which - among other things - would give the European Parliament a formal right of co-decision on all EC policies. Federalism is far from endangered sewhere. Indeed it is the norm in Italy. On June 18, Italians will be asked whether the new European Parliament should act as a constituent assembly to draft a treaty of "genuine union" with a European government accountable to the parliament.

Before dismissing this as pure fancy, it is worth remembering that the European Parliament, and its 1984 draft of a European union treaty, was the catalyst for the Single European Act: 1992 and all that. Might history repeat itself?

Irishman for Washington

A recent Brussels guessing game will shortly be over with the announcement that Eamonn Gallagher, currently Director General in charge of the European Community's fisheries policy, is to succeed Sir Roy Denman as the EC's

tions. He will be under pres

ful Spanish Fisheries Commis-

has given him some spare time

sioner, Manuel Marin, This

resident ambassador in Washington. Although no formal announcement has been made, the word is that the nomination of the 62-year-old Irishman has already been approved by key Commissioners and that confirmation is only a matter of time. Gallagher will be going to Washington during a tricky period in transatlantic rela-

sure to convince a still scepti-cal American audience that the Community's single market programme is not intended to create a Fortress Europe: ened his approach. to explore Commission president Jacques Delors' ideas for a closer political relationship between Washington and Brussels; and to defuse the tensions that could erupt in the next couple of years over trade. His natural affinity with the Irish-American lobby in Congress is expected to be a big help.

tries who have to live together. It is understandable that Mr Gallagher's appointment (which will run until his retirement in just over two years' time) will be the culmination of a distinguished career in the Commission, where he made his name as an architect of the Common Fisheries Policy in the early 1980s. Widely admired (and feared) as the master of compromise, his "double act" with his French colleague, Raymond Simonnet, has been largely responsible for keeping the policy afloat. On the other hand, Gallagher has not got on too well with his new boss - the youth-

Observer

to improve his golf, which will also be useful in Washington.

Hitching

■ During last week's unofficial strike on the London Underground, one bank executive tried unsuccessfully to get on to a crowded single-manued bus, arguing with the driver that at times like these, London buses owed it to the population to be more flexible. The bus driver stuck to his rules and regulations on passenger limits, and the banker was

ejected. Refusing to be beaten, he went into a stationery shop, bought himself a card and luminous pen and wrote CITY in huge letters. He then stood on the pavement, held up the card and, within seconds, was picked up by a car with air conditioning. It was another banker taking a more predict-

able way to work. More of us may be resorting to hitch-hiking this week. Indeed why don't drivers with empty places put a card in their window offering lifts?

Country folk

■ Grateful to this week's edition of The Economist for pointing out that the very first edition of The Archers, an everyday story of country folk now celebrating its 10,000th episode on BBC Radio 4, began with the following exchange between Dan Archer and his farmhand over the grunts of a cow in labour.

a cow in labour.

Dan: "Well, Simon. What
d'you think?" Simon: "Ah well.
Er might, and 'er mightn't."
That was on Whit Monday, 1950. The Archers is not like that any more, and has not been for a long time. But, for a certain generation, there is that touch of "For Ever



It's my demob suit."

England" about it. What I cannot understand is why the BBC World Service did not quickly take it up, and broadcast it daily and extensively around the globe. There would always have been a British citizen somewhere who would have felt a kind of nostalgic happiness for Ambridge,

75 not out

A. H. Hermann, for long our Legal Correspondent, is leaving us this week. At the age of 75, he will become Senior Research Fellow on International Trade Law at Queen Mary College, London, a post endowed by the City law firm, D. J. Freeman & Co.

Hermann was born in Bohemia in 1914. When I first met him in 1968 he said he had spent almost half his time in prison. His life was disrupted first by the Nazis, then by the Communists in Prague who, in 1950, sentenced him to 12 years for high treason. He had been Economic Secretary in the Ministry of Trade.

Among his many stories is that of when he first began to write for Western papers from Czechoslovakia in the mid-1960s: then — and even now — a rare event. Hermann seldom saw the papers he wrote for and was besieged by telegrams saying: "Please use the Reuter style." The Reuter style consists

of putting the most important point first, and the rest in descending order of importance. It was impossible for him to pass the message that if he did that, everything would be censored. Early in 1968, and before

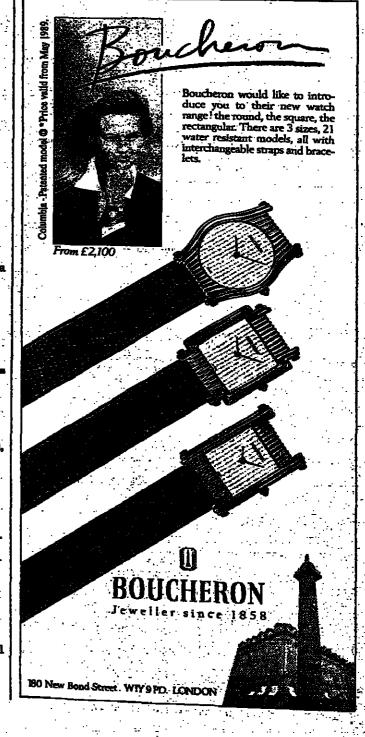
most other people, he realised the importance of Alexander Dubcek and started to write about him. Hermann left Czechoslovakia

when the Prague Spring was put down by the Soviet Union and has deserved to live hap-pily ever after. Anyone who sees him should encourage him to get on with his memoirs, which so far extend only to 1948.

Wrong match

Thailand has been generous to the last days of the Euro-pean soccer season, covering four matches live on television, three from Britain and one from Italy. Even Bangkok's legendary bars have found their customers distracted by football. Some began to offer free fish and chips at half-time for those who came to watch the entire match at their estab-In such a full-bloodedly capi-

talist setting, the stream of advertisements interrupting the game, regardless of the state of play, was only to be expected. But there was one slight cavil. Most of the first half of the FA Cup Final between Everton and Liverpool at Wembley was accompanied by crowd noises and commentary from the Scottish Cun Final at Hampden Park.



James Buxton explains why Body Shop chose Easterhouse in central Scotland rather than the Third World for a soap factory

Tackling the 'sump'

"WE WILL have failed by 50 per cant if we don't provide a rele model for other companies," says Mrs Antia Roddick, managing director of Body Shop, surveying her latest creation.

This is not a new soap made with herbs flown in from the Amazon rain forests—though something like that might come later—but a large factory located in Easterhouse.

Easterhouse is a west area of great soars.

terhouse.

Easterbouse is a vast area of grey council flats, forbidding shopping parades and litter-strewn open spaces on the eastern fringe of Glasgow. Male unemployment among its 50,000 people is put at 37 per cent. It has been ungenerously described as a "sump" — the place where the human residue from other parts of Glasgow accu-

mulates.

Mrg Roddick came to look at Easterhouse last year after a community leader from the area pointed out to her that while her highly successful natural beauty products company was making a point of helping Third World countries, it was ignoring "Britain's, own Third World," the inner cities of England and the peripheral housing estates of Scotland.

ing estates of Scotland;
Her visit to Easterhouse "was one of the most aesthetically depressing experiences of my life," she recalls. Afterwards, she persuaded her husband Gordon Roddick, Body Shop's chairman, to see for himself. Soly Stop's charman, to see for minsen.

After considering setting up a plant making recycled paper, he decided to locate the company's first soap factory on the Queensile industrial estate in Easterhouse, near the site of a demolished Olivetti typewriter plant that once employed 4,000 peo-

pie.

The Soap Works, as it is called, has got underway in the last few months. It tries to employ people who have either never worked before or who are long-term unemployed and give them the heightened morale that comes from being part of a triesally and successful comment.

friendly and successful company.
At present there are 24 full-time and five part-time employees making vegetable-based partuned soaps. The aim is to raise the workforce to 100 by the end of next year as the soap plant expands and begins making talc powder. As well as providing employment, the Soap Works intends to put 25 per cent of its after-tax profits into a foundation devoted to projects in Easter-

Body Shop has never been a conventional company. For example, all its products are biodegradable and its total of nearly 400 shops worldwide offer a refill service for its bottles. It uses recycled paper where it can, and naturally based products wherever possible. The franchisees who run most of its shops may be asked to contribute to special funds — the UK franchisees have just raised £23,000 for

a playground in Easterhouse.

The formula is highly successful. The quoted company is one of the best performing niche retailers in Britain, with profits up by 56 per cent last year to £9.3m on sales of £46.2m. It is currently going

The antition recovers to territor



Body Shop's 'model' for other com ented by Mrs Antia Roddick (left)

through another surge of expansion. "We're chiming in with the environmental upsurge," says Mrs Roddick, "although we were environmentally conscious long before it became fashionable."

As part of its mission to help developing

countries where many of its raw materials and product ideas come from, Body Shop has set up local operations in Nepal, south India, Bangladesh and in a Mexican refugee camp in Texas. But much of its production comes from factorles near its headquarters at Wick near Littlehampton

in Sussex, where it employ 700 people.

"It certainly would have been more conventional to set up the Soap Works near Littlehampton," says Mrs Roddick. "But it's more fun, more motivating and better for morale to do it here. Its not economic terms of transport but it's easier to inculcate our ideas here." Body Shop is investing about film in Easterhouse.

"We've found no problem with the people here – that was a myth," she says. "Although some of them have never worked before, there's a work ethic here that you don't get in the south-east. People have a sense of pride in what they are

nave a sense of prine in what they are producing."

Soap Works employees are paid the same rate as Body Shop's workers at Littlehampton, giving them 30-40 per cent more than the local going rate.

They also receive two weeks training in Littlehampton and London in the Body Shop culture.

Shop culture.

One aim of setting up the factory, she says, is to provide a role model for other companies to operate in Easterhouse "where angels fear to tread" — and take advantage of abundant labour supplies.

Bedy Shop certify that similar plants in Body Shop could start similar plants in other deprived areas of Britain, she muses, or move more production to Glasgow. People in Easterhouse have mostly

reacted warmly to the arrival of the Body reacted warmly to the arrival of the Body Shop circus. But some evidently think Mrs Roddick takes a somewhat patronising attitude to the place. "To hear her speak about angels fearing to tread you might think Body Shop was the only industrial employer in Easterhouse," says one scep-tic who did not wish to be named. "But as you can see, her plant is on a small indus-trial estate surrounded by several busy

Mr Bill Craw, who runs the Greater Easterhouse Partnership, a local enterprise trust, points out that Body Shop's vaunted trust, points out that Body Shop's vaunted "holistic" approach to its employees — taking a close interest in their health and welfare as well as their work — is thoroughly praiseworthy. "But it is not unique," he says.

He is disappointed that Body Shop has stayed aloof from the Partnership, which is sponsored by leading companies such as British Telecom and United Biscuits. He acknowledges that these companies.

acknowledges that these companies, unlike Body Shop, have not set up plants in the area, but they have established a valuable training centre and workspaces for small businesses. However, he admits that Body Shop will "have a demonstra-tion effect which could attract other com-

panies to the area."

Mrs Roddick has not so far said how the money from the Soap Works foundation will be spent, though with the factory still being expanded profits are not expected for two years. She talks of creating "the st library for kids you've ever seen" in

Mr Craw says: "We've already got an cellent library. I'd rather she contributed to helping small businesses get underway here which must be the prior-

Do Body Shop's shareholders object to the way the company is using its resources? "The big shareholders are people like me and my husband and my mum," she says. "Anyway our sharehold-ers know about our ideas — we're the only company in Britain that educates its shareholders. In 10 years time this sort of

wondered, as I boarded the week, whether I was going to the right place. Wouldn't Peking be the better dateline for the really switched on foreign affairs columnist? Perhaps, but this has been a week when one could watch history being made in either of the rival capitals of what used to be called "the socialist camp" be called "the socialist camp", and at least in Moscow one has and at least in moscow one has the advantage of being able to talk to people, including the FT's own correspondent, Quen-tin Peel, who were in Peking with Mr Mikhail Gorbachev

One observation they make is that in China the economic reforms have clearly had an effect, in the elementary sense that Peking is full of shops and restaurants which actually have goods for sale, and that Chinese building sites are full of people visibly working con-ditions which are certainly not

the week before.

fulfilled in Moscow.

- But what does that observa-tion tell us? That private enterprise is deeply rooted in Chinese genes, or at least in Chinese culture? That Russians are congenitally unenter-prising, or conditioned by centuries of seridom? That the experience of all-out collectivisation in China, which really only lasted about 20 years, has not done such a thorough job of destroying the free enterprise instinct as 60 years of the same in the Soviet Union? Or simply that China is, in terms of economic reform, about 10 years ahead?

The answer may well be "all of the above", but the last thought is politically the most interesting as well as the least discouraging for Russia's long-term prospects. If events in Peking represent the Soviet future, or one possible Soviet future, what conclusions are likely to be drawn in the Soviet

Before proceeding any fur-ther with this line of thought, I should make clear that this is not a subject of public discussion in Moscow at present, or even (as far as I can tell) of private discussion, except to some extent among the small circle that actually went to China the week before last.

Those who did were cer-tainly impressed by the sheer size and strength of the political movement that they witnessed - and one can only presume that that includes Mr Gorbachev himself. But the Soviet media have made little or no attempt to pass on that experience to a wider public.

The demonstrations in Peking have been reported, at any rate since Mr Gorbachev came home, but with nothing like the prominence accorded

FOREIGN AFFAIRS

Satisfying the urge for change

Edward Mortimer compares the approaches taken by the Chinese and Soviet party leaderships

them in the West: few pictures, and no television footage -only voice-over reports with an old still of central Peking in

normal traffic conditions. This is quite revealing about the nature of glasnost, at least in its present stage. Glasnost means "giving voice" to hitherto silenced groups in Soviet society, enabling them to join in a debate which is often very sharp but is expected to produce specific solutions to specific specific solutions to specific spe

nomically and to a large extent ideologically, a branch of the

That does not mean, how-

But the media still are, eco-

ever, that a considerable Soviet public is not quite capable of noticing what has been happening in China and realising its importance. If the Chinese events are not much discussed in Moscow as yet, the main reason is that the political process at home is too absorbing. Moscow may not yet have seen a million people in the streets, but a comparable shock was delivered to the Soviet system by the elections to the Congress of People's Deputies, spread out over the last two months. At least in

The clear implication was that liberalisation depends on Mr Gorbachev's survival in power.

state. The Western idea that they have a direct responsibil-ity to their public, independent of the state, and consequently a duty to describe what is hap pening no matter what politi-cal conclusions may be drawn, is not yet widely accepted or even perhaps understood among Soviet journalists.

In domestic affairs this means that the Government can be criticised, and events embarrassing to it can be reported, but only when the report implicitly or explicitly points to a preferable alterna-tive. Where there is no obvious solution, as in the Armenian-Azeri conflict for example, dis-

cretion tends to prevail. In foreign affairs one can question aspects of govern-ment policy but it is evidently not considered responsible to highlight a problem for which the Government has no ready answer or interpretation. At present the Chinese demonstrations clearly fall into that hitherto governed in their name, quite as forcefully as the people of Peking and other Chinese cities did by camping in the streets.

The great difference is, of course, that Soviet citizens were responding to an opportu-nity deliberately accorded to them by the party leadership. Mr Gorbachev himself has not so far incurred the opprobrium attaching to Deng. People still give him credit for initiating perestroika and look to him for support and protection against the reactionary forces lurking within the party, including its highest reaches.

The point was made with brilliant delicacy in the con-gress yesterday by the histo-rian, Roy Medvedev. Intervening in the debate on Mr Gorbachev's choice for the major Russian cities and in the Baltic republics the people expressed through the ballot box their repudiation of the Vice-President, Mr Medvedev

said he supported Anatoli Lukyanov precisely because he was a very old and close asso-ciate of Mr Gorbachev's, going back to their student days. It was important, he said, that the President should have a the President should have a genuinely like-minded deputy because time and again in the last two years when Mr Gorbachev had been abroad or on holiday there had been "a 90-degree turn" in government policy. The clear implication was that continued liberalisation depends on Mr Gorbachen depends tion depends on Mr Gorba-chev's survival in power.

Yet there is no doubt that public faith in Mr Gorbachev took a knock from the way in which the first few days of the congress went. The election of the new Supreme Soviet on Saturday and especially the non-election to it of Boris Yelts appeared a sign in the face sin, appeared a slap in the face for the popular will, given Mr Yeltsin's overwhelming suc-cess in the first round of elections to the congress on March 26. At a well-attended meeting in Moscow's Luzhniki Stadium on Sunday loud cries of "shame" greeted the statement that respect for Mr Gorbachev was falling sharply because of his attempts "to silence demo-cratic deputies", and that this was "the most shameful page in his political biography to

the congress these criticisms seemed harsh. Mr Gorbachev has, if anything, been rather a lax chairman, and democratically minded speakers have had much more of the speaking time than their numbers mould apparently warrant But would apparently warrant. But there was a silent majority of old-style party faithful taking their lead from the platform, and the platform (meaning principally Mr Gorbachev him-self) inevitably took the blame

for their performance. We shall probably never know whose idea it was to propose 12 names for 11 seats for the Russian Federation in the Chamber of Nationalities (one of the two chambers in the new Supreme Soviet), or whether they did so on purpose so that Mr Yeltsin should be voted down. What is clear is that reaction in the country not only in Moscow -unnerved the leadership. It was with obvious relief that Mr Gorbachev yesterday found a way to bring Mr Yeltsin into the Supreme Soviet after all, and so to defuse the immediate

It is a fair guess that the memory of the crowds in Peking, honouring the memory of the fallen Hu Yaobang and calling for Deng to step down, has been present in Mr Gorbachev's mind during the last

C जिन्नहर्षेत्र विश्वासम्बद्धाः व विश्वनेत्रके प्रिजनेत्रके । जो नित्तना विश्व में विश्वन स्वर्णने विश्व कर्णन वृद्धि व प्रदेश स्वर्णने के विश्वनेत्रके क्षिप्रकारिक । जानिक व विश्वनेत्रके । जानिक विश्वनेत्रके । जानिक विश्वन **LETTERS**

The aim is to land safely

From Mr John Wells. Sir, Ralph Atkins and Maggie Urry write (May 25) that
"an unexpectedly large fall in
retail sales figures for April
...reinforced hopes of a soft
landing for the UK economy
with landing for the UK economy with low demand growth even-tually feeding through into slower output and falling infla-

While a reduction in retail sales is probably a necessary condition for a "soft" landing in current circumstances, it is by no means sufficient. Morecould just as easily presage a "hard" landing as a "soft" one.

A "soft" landing can be

defined as a "recession free" improvement in the trade balance — consequent upon cut-backs in domestic expenditure (however induced) which are not associated with any appreciable leases in downsells out. ciable losses in domestic out-put or employment. A "hard" landing, on the

other hand, is a situation in which improvements in the trade balance are accompanied by reductions in domestic output and employment.
Cuts in domestic expenditure

Sir, Reporting (May 24) Cap-tain Richard Sharpe's, the edi-tor of Jane's Fighting Ships, call for the West to take the

lead in navel arms control, you failed to mention that the US navy has already begun unlist-

navy nas arready begin unitar-eral disarmament, outside the arms control process. By 1992 the US navy will have scrapped 1,100 of its short range maritime weapons. The rationale for this, in the words

of Vice Admiral Mustin, former deputy chief of naval operations for plans, policy and

From Mr Colin Hines.

affect both the traded and non-traded goods sectors. The reduction in domestic spending on non-traded goods and services (primarily, construction and "sheltered" services) by definition gives rise to reduc-tions in both output and employment in the non-traded sectors of the economy.

sectors of the economy.

Reductions in domestic spending on traded goods and services (principally manufactures, but also the internationally traded services such as tourism), on the other hand, should not have any effect on the level of traded sector output. By definition, if traded output is not absorbed domestically, it can be switched to cally, it can be switched to overseas markets.

The slowdown in the nontraded goods sector can be pre-vented from adversely affecting output and employment in the economy as a whole (a "hard" landing), only if the growth of world trade is suffi-ciently buoyant to allow resources to be switched from the non-traded to the traded sector at international competi-

operations, is: "The concept of

a nuclear war at sea is a con-cept whose time has passed. It is in the interest of the country

to persuade the Soviets that

the time has passed.

The US navy's unilateral action on short range nuclear weapons, and the rationale produced for this, therefore makes

Captain Sharpe's call for naval arms control initiatives by the West, on sea launched cruise

missiles, extremely timely.

Colin Hines, Greenpeace, 30-31 Islangton Green, NI

tiveness of traded output is improved - via, for example, a

exchange rate.

Either of these makes a

"soft" landing more likely. Returning to the April fall in retail sales, for evidence of a "soft" landing we would • Improvements in the trade

balance (of course); The maintenance of output and investment growth in the traded sector of the economy (particularly manufacturing); A non-increasing rate of

unemployment. Indications of a "hard" land-ing (presuming that domestic expenditure has been brought under control) would be: A non-improving or slowly improving trade balance;

• Sluggish output and invest-ment performance in the ● A halt to recent reductions in unemployment or even increasing unemployment (because of the unfavourable behaviour of employment in the services).

the services).

The danger in the current situation is that the rise in interest rates required to stabi-lise the real exchange rate

depreciation of the real (with counter-inflation top of the British Government's pri-Either of these makes a orities) will impede successful external adjustment by constraining the competitiveness of the traded sectors of the economy, even as it succeeds in deflating domestic expendi-ture. This would make a "hard" landing more likely.

> The attempt to hold the real exchange rate at a higher level than would be required to achieve a "soft" landing within a reasonable time is all the more surprising, given what the Chancellor said, on May 15 1985, when pressed by the House of Lords select committee on overseas trade to explain how the economy would adjust to a decline in North Sea oil output: "The balance on non-fuel trade, in particular trade in manufactures, will tend to improve, in part responding to the fall in the real — and I emphasise the word real - exchange rate". John Wells.

Faculty of Economics and Politics. University of Cambridge

Highly defined digit

From Mr Brian Evans.
Sir, Competing high definition television (HDTV) technologies have already produced a spin-off for ordinary talevision viewers: compact disc quality stereo sound from new television and the state of the st sion sets and video recorders now fitted with the strangely

named NICAM option.
It seems unlikely that a single worldwide HDTV standard can be achieved while compatibility with many existing national TV standards is deemed important. The UK should instead adopt an all dig-

ital HDTV standard, which is broadcast in parallel with cur-rent programmes — just like the 405 and 625 line transmissions 25 years ago. Let us reserve the newly found Chan-nel 5 frequencies for HDTV. I applaud Lord Young's ini-tiative to make more room in the terrestrial radio spectrum by moving BBC2 and Channel 4 on to satellite. What an incentive to buy a dish, whether round or square . . . Brian T. Evans. 19 Cassiobury Park Avenue, Watford, Hertfordshire

Cure for the cold war

From Mr Tony Christopher.
Sir, Observer's item on the Chinese cure for the common cold (May 19) is confirmed.
Last autumn my wife and I developed the seasonal cold to

potions: cubes like oversized

Tony Christopher, Inland Revenue Staff Federa-Douglas Houghton House

Today, Nomura opens its Representative Office in Vienna

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Scotland plays hard to get

Naval nuclear arms cuts

From Dr Philip McGuire.
Sir, As a frequent traveller from New York to Edinburgh, I read James Buxton's article on Prestwick airport (May 18)

Prestwick airport (May 18) with interest.

After enduring Kennedy airport (JFK) and a six-hour transatlantic flight, several more hours on a bus winding across Scotland turns a wearing journey into an ordeal.

It makes the status quo intolerable to discover that behind the persisting alsence of transatlantic services to

Glasgow or Edinburgh is the Conservatives' desire to propup the Secretary of State for Scotland's diminishing hold on his Ayr constituency.

In future I shall join the growing numbers of travellers to Scotland who fly first to London and then catch the bornly shuffle porty to Edin.

hourly shuttle north to Edin-burgh or Glasgow. I would urge others to do likewise. Philip K. McGuire, 869 Orange Street, New Haven, Connecticut 06511, USA

developed the seasonal cold to end all colds. We had just boarded the overnight train from Yichan to Wuhan. Our young escort, whose wife is an army doctor, produced the box of medicines she provided for travel — including, he said, antihiotics "to be taken only as a last resort."

We tried the Chinese

Oxo cubes in hot water, and two little yellow pills, repeated again in the morning. By lunchtime the colds were gone. We are relieved that we had not heard Mr Benthien's story, reported by Observer, before-hand. But — snake dung or not — I would use the stuff again if

231 Vauxhall Bridge Road, SWI



FINANCIAL TIMES

Tuesday May 30 1989



Nakasone makes way for Uno

By Ian Rodger in Tokyo

THE resignation from Japan's ruling Liberal Democratic Party of former Prime Minister Yasuhiro Nakasone appears to clear the way for Mr Sosuke Uno, the Foreign Minister, to take over as premier in the next few days.

Mr Nakasone announced his move into political self-exile on Sunday, saying that he felt a "strong responsibility" for the Recruit bribery scandal, the subject of an 11-month official investigation which ended sud-

denly yesterday. Political observers in Tokyo said Mr Nakasone came under heavy pressure at the weekend from other LDP leaders to take responsibility for the scandal Also, his presence became more embarrassing as Mr Uno, a member of Mr Nakasone's faction, began to emerge last week as a potential prime min-



Nakasone: political self-exile came only three days after he had vigorously declared his innocence while being ques-tioned about the Recruit affair in the Diet (parliament) under week as a potential prime min-ister.

Mr Nakasone's resignation

oath. The former Prime Minis-ter is also to step down as leader of his faction, one of the

four largest in the LDP, although he will retain his parliamentary seat.

The Recruit scandal arose as a result of a widespread cam-paign of bribes to top politicians and senior bureaucrats and businessmen in the mid 1980s. It has already forced Mr Takeshita and two other ministers to resign, and led to 13 people being indicted on bribery charges, one of whom was chief cabinet secretary in the Nakasone government.

Yesterday's announcement that the bribery probe had ended came as a surprise, and left many people feeling that the full details of how and why an ambitious entrepreneur, Mr Hiromasa Ezoe, the former chairman of the Recruit publishing and property group, had thrown so much money around so recklessly, had not been clarified. Mr Yusuke Yoshinaga, head

iticians on minor electoral fund law infractions and four businessmen on securities law infringements in connection with the affair. He then said simply that the indictments brought the investigation to a Investigators said privately they had been unable to make cases against Mr Nakasone or

of the special investigation

unit of the Tokyo Public Prose-

cutor's Office, gave no explana-tion for the sudden end. He called a press conference yes-terday to announce indict-

ments against four aides to pol-

several other leading politi-cians known to have received large financial donations from the Recruit group.

Leaders of the LDP reacted with almost audible relief while protesting their contri-tion and determination to reform the country's corrupt

US Democrats ready for leadership fight

By Lionel Barber in Washington

REPUBLICANS waging an ethics crusade in the US House of Representatives are this week expected to complete the

week expected to complete the rout of the Democratic leadership by forcing the resignation of Mr Jim Wright, the Speaker.

Mr Wright's expected departure, which could come as early as tomorrow, would follow the announcement by Mr Tony Coelbo, the third ranking Tony Coelho, the third ranking House Democrat, that he is resigning his California seat on June 15. The removal of two of the top three House Democrats in mid-session is unprecedented, and has opened up a

party leadership fight.

Mr Tom Foley of Washington state, the 60-year-old House majority leader, is widely expected to move up unop-

posed to the Speakership. Mr Richard Gephardt of Missouri, a presidential candidate in 1988 with a protectionist trade bent, is building support rapidly for the majority leader's job. but other lower posts are likely to be fiercely

The Republican ethics crusade has been led by Mr Newt Gingrich of Georgia, who accused Mr Wright last year of breaking House rules by accepting gifts from a business friend and skirting outside income limits.

At the time, Mr Gingrich was responding to Democratic charges of lax ethics in the Reagan Administration, but his complaints have broadened into an assault on 35 years of

Democratic control of the House of Representatives. Mr Coelho, a master fund-raiser and Mr Wright's alter ego in the hundreth Congress, resigned last Friday following revalations that he obtained favourable terms for purchasing \$100,000 of high-yield Junk bonds from Drexel Burnham Lambert, the investment bank-

ers and a key source of Demo-

cratic campaign contributions.
The investment yielded a profit of only \$6,800 for Mr Coelho, but the Congressman admitted he had failed to ensure that the bonds were recorded in his name, rather than the Democratic Congressional campaign committee.
At the weekend, Mr Coelho said that he had no desire to

face a prolonged investigation by the House ethics committee such as Mr Wright has endured. His resignation seems certain to end Mr Wright's fight against resignation, though friends say the Texan Speaker is loath to yield his

post.

Mr Gingrich said he intends
to pursue his campaign to clean up the House. "Wright and Coelho are symptoms of a disease," he

"Do they serve only as scapegoats, or does the House insist on real reforms now in the 99 per cent re-election rate and campaign laws so we can take power away from the incum-bents and give it back to the American people."

London SE faces revolt attitude to EC policies on share settlement plans

By Clive Wolman in London

A MOUNTING rebellion of stockbrokers, company secre-taries and registrars is likely to block London Stock Exchange proposals for computerising the tortuous and costly paper-based process of settling and registering share bargains.

The conflict, which is set to come to a head at a meeting next month, has reduced almost to zero the chances of introducing a modern settle-ments system before the mid-1990 deadline set by the stock exchange, after more than 20 years of controversy and

The opposition group has crystallised around rival proposals which would allow istrars to retain most of their traditional functions - and their fee income - by keeping up-to-date registers of share-holders. This might make it easier for company executives to see updated lists of their shareholders, including the emergence of potentially hos-

Deadlock is reported in the technical working party which is due to report on the feasibil-ity of the stock exchange proposals on June 16 to the securities industry's Siscot

Suspicions have been fuelled by the failure of Touche Ross. the management consultancy, to produce a cost-benefit analysis of the proposals. Stockbrokers have complained that they could not understand the questions that Touche Ross has been asking them as part of the exercise about the impact on their costs of the new proposals.
"It's all getting very compli-

cated, very frustrating and highly political," said one stockbroker who was a leading member of Siscot, which rec-ommended the controversial proposals endorsed by the Stock Exchange Council last month.

Siscot was set up in November because of fears about the costs of the original, and already well-advanced, computerisation proposals, now known as Taurus-1 (Transfer and Automated Registration of Uncertificated Stock). These were approved as long ago as

The Siscot recommendation, named Taurus-3, involves extending the exchange's existing electronic system for transing electronic system for transferring and registering shares, Sepon, which is available only to market makers. Within Sepon, companies' shares would be registered in the names of up to 1,000 large institutional investors, banks and stockbroking firms which would act as nominees holding shares in computerised subshares in computerised subregisters for smaller investors

The chief objection to the access system proposed in Tau-rus-3 is that the burdens will be excessive on the stockbroking firms when they are trying to cope with the continuous demands by companies for updates from their sub-regis-ters. Some stockbroking firms with a consistently poor record of managing technology would undermine the effectiveness of the system as a whole.

To set up a network with sufficient capacity to overcome these problems would be prohibitively expensive and take too long.

Heath attacks Thatcher's

By David Buchan in Brussels and Tom Lynch in London

former British Prime Minister, yesterday delivered his most comprehensive and strongly worded attack on Mrs Margaret Thatcher's stance on the

European Community.
In a speech in Brussels co-sponsored by the Bruges-based College of Europe, he said he stain" left by Mrs Thatcher's speech to the same body in September, in which she warned against the creation of a European super-state.

It was "preposterous and insulting" for the Mrs Thatcher to pretend she intended Britain to become a full member of the European Monetary System, and it was "false popularism" and "patronising, self-serving hypocrisy" to accuse the Comission of trying to create "an identikit European personal-

Such an attack delivered in the unofficial capital of Europe by the former Prime Minister of the same party who negoti-ated Britain's EC membership is likely to encourage those heads of other EC governments who want a showdown with Mrs Thatcher on monetary and social policies at next month's Madrid summit,

In Britain, Mr Heath's decision to step up his campaign against his party leader's vision of Europe will embar-rass the Tories in advance of next month's European elections when some opinion polls show the opposition Labour Party running level with or ahead of the Government. In contrast to Mrs Thatcher's suspicion of EC social policy

MR EDWARD HEATH, the and monetary union, Mr Heath called for speedy progress towards economic and mone-tary union and "constructive input" into social policymak-

Paying tribute to the College of Europe as "the intellectual focus for European unity," Mr Heath said the right way for Britain to tr was not to "Euro-bash" or to "smear the Community as socialist, let alone marxist" but to follow the preference of most Britons to be constructive and open minded in the debate about Community policie

Mr Heath suggested that the British Government was playing "the sovereignty card" to distract attention from domestic difficulties of its own making, such as health service reforms, water privatisation, the community charge, or poll tax, and its own EC policies.

London was opposing EC cigarette labelling standards, even though it would help reduce trade barriers, Mr Heath said. International co-operation, as in the Anglo-Irish agreement, was the answer to stemming terrorism, which should not be used as a pretext to maintain

He challenged the Mrs Thatcher to "declare that she has absolutely no intention of becoming a full member of the EMS, despite the fact that membership is supported by her Chancellor, her Foreign Secretary and the Governor of the Bank of England, to name but a few."

Mr Heath welcomed the recent Delors report on steps towards economic and mone-

Hungarian leadership faces open challenge

by Pozsgay

MR KAROLY GROSZ, the Hungarian Communist Party chief, will be swept out of office at an extraordinary party congress to be held later this year, according to Mr Imre Pozsgay, the most radical reformer in the country's lead-

ership.
The increasingly outspoken
Mr Poszgay acknowledged that
he was a prime candidate to become the party's new gen-eral secretary and oust the increasingly unpopular Mr

"One cannot leave the party in crisis," he told the Financial Times during a visit to West

Times during a visit to West Berlin.

If Mr Poszgay's bid for power succeeds, Hunga-ry - which is already in the vanguard of reform in Eastern Europe - would have the most liberal leadership of any Soviet bloc state since 1945.

He said that he wanted to break with the party's tradi-

hreak with the party's tradi-tion of covert political man-oeuvring by openly aunounc-ing his intentions.

Mr Pozsgay said he was faced with the choice of either

ding Mr Grosz or becom ing the new Hungarian president with greatly expanded

"State tasks appeal to me more," he said, "but the people must decide."

Mr Pozsgay said reformists were impatiently demanding an "authentic change" in the leadership.

He sharpened his criticism of Mr Grosz when he made public remarks in West Berlin

public remarks in West Berim regarding the political situa-tion in Hungary.

Mr Pozsgay said that his country needed "authentic per-sonalities" who could rise to the top by means of genuine deeds and not by acting as "world champings in adapting world champions in adapting

This was a clear reference to Mr Grosz's conservative past before he ousted Mr Janos Kadar as party leader last May, when he formed an alli-ance of convenience with Mr

The Hungarian reformer said yesterday's plenary session of the Central Committee Congress in September.

Grass roots party members were deeply frustrated by the ack of progress in democratis ing the party, and had applied intense pressure for a congress to be called.

Mr Grosz promised greater Party democracy last May but rank-and-file members said the Politburo still monopolised decision-making. The Congress could lead to a

wholesale exodus of conserva-tive members who have rallied forces in an orthodox movement called the Ferenc Mün-

nich Society. Mr Pozsgay has warned that a split in the Party now would create a "power vacuum" but said the majority of reformist nembers would not tolerate a

"Stalinist retroversion." The Hungarian politician's visit to West Berlin for a speech to the European Academy amounted to a highly

political demonstration.

Mr Pozsgay carefully avoided setting foot in East. Berlin and he implicitly criticised its orthodox leadership by noting that "dictatorial Stalinist systems everywhere were undergoing a crisis" although he said they denied this. Such political systems could not be reformed but had to be changed, he said.

The decline of the baby boomers

Spot the links between the following stocks: Amstrad; Blue Arrow, Saatchi & Saatchi, Next, British & Commonwealth. All were once members of the FT-SE index, and none are now: all have underperformed the market by at least a third since its peak in 1987; and all are the creations of men

all are the creations of mer-below the age of fifty.

Not all the youngsters of the Thatcher years have yet been humbled Martin Sorrell's WPP-has just won its fight for Ogilvy, and Michael Green's Carlton Communications last week used its paper as cur-reacy for the £500m-odd pur-chase of UEL But a striking number of underperforming stocks recently have been com-panies built and run by indipanies built and run by individuals in their 40s or younger. Coloroll, down 53 per cent in relative terms since the stock market peak: Gateway, down 13 per cent relative since the peak despite being bid for: Williams Holdings — another experience of the peak despite in the past year, and so on.

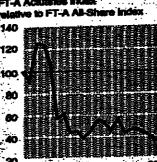
and so on. Comparisons with the Slater generation of entrepreneurs in the late 1960s and early 1970s the late 1960s and early 1970s should not be exaggerated. That was a time of pure financial engineering, and most of the operators of the 1980s have concentrated on buying and running businesses. But most of these businesses have never seen a recession, and many have relied heavily for their growth on the more adventurhave relied heavily for their growth on the more adventurous forms of acquisition accounting. In the succinct phrase of Philips & Drew, recessions uncover what auditors fail to spot. It is a logical time for the market to discover the more traditional virtues.

But the market has itself to blame for succumbing to the glamour of the under-50s in the first place. Among the big out-performers since the peak are two companies created by baby boomers whom the market never liked or trusted: Asil Nadir of Polly Peck and Mich-ael Ashcroft of ADT.

UK merchant banks

Perhaps the stock market was right not to read too much significance into the Bank of Yokohama's purchase of majority control of Guinness. Mahon last week. It is not the first time that a foreign bank has been allowed to buy a UK merchant bank, and the authorities were anxious to see GM pass into firm and conser-vative hands after the failure of GM's majority shareholder. However, the transaction has highlighted once again the

FT-A Actuaries Index



declining number of indepen-dent UK merchant banks, and the relative ease with which a friendly takeover, at least, can be transacted.

be transacted.

The sums at stake are not very large. S.G. Warburg, the market leader, is far and away the higgest, with a market capitalisation of a shade over \$600m. The top five merchant banks together only have a higged market capitalisa. combined market capitalisa-tion of £25m, and the remainder could probably be picked up for no more than £500m. However, the big question is whether there is much of an appetite for ageing City mer-chant banks at a time when their trading performance is dismal and their future profit

ability uncertain. One has only to look at how a famous old name like Arbuthnot Latham has passed from hand to hand to get a sense of the impermanence of many of these acquisitions. Few have been a success. Nev-ertheless, the number of strate-gic stakes in every bank from Leopold Joseph to Kleinwort Benson suggests that ambi-tions remain undimmed, and takeover prospects cannot be ignored just because the banks' trading outlook is so rotten. While the Bank of England

would probably not permit a bid for Warburg, the rest are probably fair game, especially if the arrival of a strong for-eign owner promised long-term stability. The problem is that maximising shareholder value has never been a high priority for a merchant hank: and for some strange reason, hostile takeovers remain taboo. Until there is any sign of change on both scores, predicting the next takeover target is useless.

The extraordinary calm that was billed for next week's Opec meeting now seems certain to be replaced by the usual dis-play of bad temper. The dreaded question of individual quotas has been reopened by

share for itself; while the unponutar idea of a \$15 floor to the

putar idea of a \$15 floor to the price is once again being peddled by Sandi Arabia. However, no one seems particularly worried Although the price has fallen by almost \$4 in the last month or so, \$21 oil was never meant to last, and \$17 is more than almost anyone expected even six months ago. The market reasons that both contentious issues will be positioned until the next meetpostponed until the next meet-ing as it is in no one's interest to threaten a system that is working unusually well. For the first time in years the marhet background to the meeting is favourable, and with demand so strong. Opec has plenty of room to fudge. Production is already running 2m duction is already running 2m harrels a day above quota, and all of that can be absorbed by the market even with North Sea production back to normal. There is scope to extend the overall quota to 20m barrels a day; and still leave room for the usual cheating without putting undue pressure on prices.

prices:
For once, politics are less important than demand in setting the oil price; unfortunately, the market has had no more luck in predicting that than getting Opec moods right. However, at least for now an underlying increase of 25 percent in demand seems reasonably certain and it could be ably certain, and it could be more if the industry responds to recent accidents by holding more stocks. The latest signs are good in the US, refueries are running flat out, keeping the price of gasoline high, and in the Far East stocks are at their lowest levels ever. The real risk is that demand will weaken as unexpectedly as it grew: in which case Opec would really be in trouble.

Brewing

The negotiations now under way on the shape of the brew-ing industry could affect the future not only of the brewers, but of the Monopolies Commis-sion as well. If the 2,000 pub ceiling is removed in favour of canno is removed in lawour or a regional pub swap, the MMC has been wasting its time for the past 2% years. The thrust of the investigation was into whether vertical integration in brewing assisted the working report found that it did; and if vertical integration is now left alone, the beerage has escaped intact. That should be good news for other industries now under scrutiny - betting, credit cards and petrol stations, for instance - but not necessarily for the taxpayer or the consumer.

Bush wins Nato support for cuts

Continued from Page 1 third zero. Mrs Thatcher, who has taken the toughest line against any talks on this issue, implicitly accepted that there could be negotiations, but not until Nato was satisfied that "tangible reductions had been

Both Mrs Thatcher and Mr Bush firmly rejected the third zero, but Chancellor Kohl offered a more qualified view. He accepted the need for nuclear weapons in Europe The pressure to ease the Cocom restrictions on western sales of technology to the Soviet Union has recently been given added force by a dispute between the UK and the US over a Simon Engineering contract to build a plant using advanced computer equipment

Zhao set for dismissal as party chief Continued from Page 1

Part of the pay-off to the PLA is said by Chinese sources to be a guarantee that Yang Shangkun, the president and a general, is given a major role.

Qin Jiwei, the defence minister likely to be purged in tandem with Zhao, clashed with Yang over the use of the military to control the protests, was shocked to discover

sympathetic to him into the

Qin is also blamed for the refusal of Peking troops to advance into the capital when ordered, and for the failure to supply the troops who were sent to the outskirts of the

Li Peng may have a few military fans in the Fragrant Hills, but a majority of PLA officers and the populace disapprove of the premier, who does not have a provincial power base and

US trade policies under fire

Continued from Page 1

show" because of Super 301.

The Super 301 decisions will push some serious agenda issues such as agricultural trade, the environment and structural policies into the

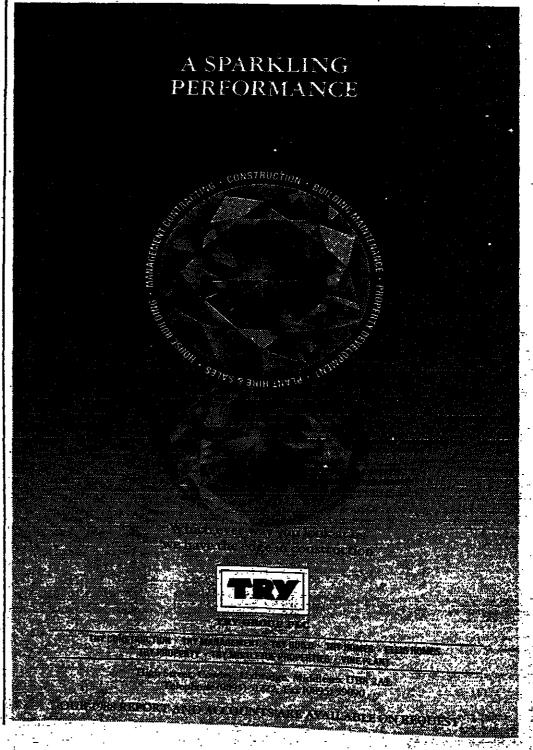
The US moves have come when the nerves of policy makers in the industrialised countries are already under strain. Despite much burning of midnight oil by officials draft-

ing the communiqué for this

ing - like previous ministerials - will enable the OECD's member states to take the tem-perature of the world economy.

bers on the priority to be accorded to the battle against inflation.
The US has made clear that

it does not believe serious inflationary pressures exist.



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that Deng had ordered troops

Peking military region.

whose authority is derived from the coalition of aged revo-lutionaries now running the

lateral trade liberalisation talks could become a "side-

background in Paris.

week's meeting, a large num-ber of detailed differences remain over policy.

Although this week's meet-

it remains to be seen whether they will be able to agree on how to read the thermometer. Preliminary talks ahead of this week's meeting have exposed differences between the US and other OECD mem-

Other countries, including Britain, think otherwise and will point to the latest OECD economic projections which show average inflation in the OECD staying at 45 per cent this year and next, with inflation in the US rising to 5.25 per cent in 1990 from 5 per cent this year.

FINANCIAL TIMES COMPANIES & MARKETS

Tuesday May 30 1989



INSIDE

Poring over Japan's financial lessons



Do Western manag ers have anything to learn from Japanese financial methods? Some believe that the obsession of Wall Street and the City of London with short-term performance contrasts poorly with a Japaness concentration

on long term goals. Others maintain that Japan lacks financial sophistication. Clive Wolman argues in the Business Column that both views are flawed, yet crucial differences remain between the two cultures. Page 44

Going down in Australia

The troubles of Australia's broking industry were dramatically exposed yesterday when provisional liquidators were appointed at Jackson's, the fisted Sydney firm. Shares were suspended, and Jackson's futures operation stopped business. Page 24

RTZ's credits mine



An upsurge in UK take-over activity last week also produced some large bid financing deals. The biggest, if also the most conven-tional, was the \$3.1bn debt package organised for RTZ Corporation, the UK mining house chaired by Sir Alistair Frame (left), to finance

its acquisition of BP Minerals. The credit facilities were co-arranged by Barclays Bank and Morgan Guaranty Trust, which underwrote the deal together with Credit Suisse, Deutsche Bank and the Toronto-Dorain-ion Bank. Stephen Fidler looks at this and other financings. Page 22

Hong Kong cash call scrapped Unrest in China yesterday led to one of Hong Kong's biggest ever fund-raising exercises

being abandoned when underwriters withdraw from a HK\$3.86bn (\$500m) rights issue faunched seven weeks ago by Hopewall Holdings, a prominent property and construction

Market Statistics

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Kovo Seiko Nivis Tyre REA Holdings Racecourse Assoc Satellite Informin Summer international Wembley

Toshiba takes off for the Sun

Louise Kehoe on a daring move to set new personal computer standards

BOLD: move to establish alternative hardware and software standards for the next generation of personal computers will be launched today when Sun Microsystems, the US computer workstation market leader, amounces an agreement to license its technology to Toshiba, of Japan.

Toshiba, the world market leader in lap-top personal computers, plans to use the Sun technology to create a new class of

puters, plans to use the Sun technology to create a new class of
computer products that will be
compatible with Sun's high-performance workstations yet competitive in price with under \$5,000
PCs. The licensing agreement,
which will be formally
announced today, enables
Tachiba to manufacture its com-Toshiha to manufacture its own version of Sun's Sparc reduced instruction set computer (Ricc) microprocessor and to use Sun system software, including the Sun Unix operating system, in

computer products.

Toshiba says that it will introduce its first Sparc computer systems in early 1990 and that it expects to ship the new comput-ers worldwide "in the kind of volumes that will attract many

mainstream personal computer software applications."

By licensing Toshiba to make Sparc PCs, Sun aims to establish its computer architecture as a

AST FRIDAY, just as you

president Scott McNeary.

The new Toshiba computers are expected to fit into the "laptop" category of highly portable, small computers used widely by business travellers in the West, and popular in the crowded officer of Jeneses Computers. offices of Japanese companies.
Sun could not hope to span the

entire computer market alone, Mr McNealy explains. "There is no way that Sun's architecture can be implemented by Sun itself to cover all markets, all technologies, all applications. There will be lots of companies that will implement the Sun architecture and take it into areas where we

cannot play," he predicts.

"This allows us to compete against IBM, which can walk in and say that it has everything from soup to nuts. We'll have soup to nuts from a number of compatible vendors."

Sun's agreement with Toshiba represents an important step in implementing this strategy and a direct challenge to established "IBM-compatible" PC standards based on Intel's microprocessors and Microsoft operating systems. Intel has so far dominated the desk-top computer microproces-

new worldwide standard for computing. "You are going to see Sparc systems at every level from lap-top computers to supercomputers," boasts Sun Microsystems president Scott McNasis such as inter's latest ase cmp used in IBM and IBM-compatible PCs, incorporate microprograms that enable the chip to perform the most frequently used functions of a PC very efficiently.

In contrast, Risc microprocessors such as Sun's Spare processors with a structure but

only simple instructions, but they do so at record speed. The Risc versus Cisc chip performance race is linked to the software standards battle between established operating systems such as Microsoft's MS/DOS most widely-used PC operating systems, and Unix, an operating system originated by AT&T,

the US telecommunications giant, that has become the focus of efforts to create "open systems" standards to enable all sorts of computers to share applications programs and data cations programs and data. Toshiba's endorsement of the Risc and Unix approach may add

side of the industry. The Japanese company says that initially it will purchase Sparc chips from one or more of the five semiconductor manufacturers aiready licensed to develop them. These include Texas Instrument and LSI Logic of the

US and Fujitsu in Japan.

critical weight to the Risc/Unix

In the meantime, Toshiba will develop its own version of Sparc for use in its computers. Th Toshiba chip will be smaller and faster than those developed by other chipmakers, says Mr Makoto lhara of Toshiba.

While declining to provide details of the planned computer products, Mr Ihara says Toshiba is looking at the possibility of producing several Sparc-based systems "that will not compete with Sun Microsystems' offerings, but rather complement Sun's Sparc systems."

Sun itself is expected to enter

the PC market soon, and already offers low-end computer workstations that compete directly with high-performance PCs.

An essential ingredient in Sun's strategy to establish Sparc as a standard computer architecture is PC applications software. Although Sun claims that over 500 applications programs have been created to run on Sparc computers, far more than for any other Risc-based systems, Sparc has so far not attracted the inter-

Toshiba's announcement could help to change that - broaden-ing the potential market for those made by other Sparc licens-

est of leading PC software devel-



Mr Joichi Aol, president and chief executive of Toshiba. The company will introduce its first Sparc computers in early 1990

strong position in the European PC market and established itself as the leading lap-top computer supplier in the US, the Sun license represents an opportunity to become an early entrant in what may develop into an important new sector of the computer industry - a market for Unix workstation "clones".

Just as Taiwanese and South Korean manufacturers offering clones of IBM PCs have won a major share of the PC market, so Asian manufacturers are expec-ted to move in on the Unix workstation market with low-cost

The trade implications of the agreement between Sun and Toshiba are unlikely to be ignored. Through its licensing agreement with Toshiba, Sun Microsystems.

For Toshiba, which has built a may be seen to have opened the door for foreign competition in a market that has so far been domi-

nated by US manufacturers.
Currently Toshiba and other
Japanese PC manufacturers must
pay 100 per cent import tariffs on
8 and 16-bit PCs exported to the US. The sanctions were imposed in 1987 in the wake of the semiconductor trade dispute between

the US and Japan.
The sanctions do not currently cover 32-bit computers, such as those based upon the Sparc chip, but are open to revision.

Whatever action the US Government may take with regard to the Japanese trade dispute, it is clear that US computer markers will face severe foreign competi-

The unremarked American turnaround

By Anthony Harris in Washington

were probably going on holiday, the statisticians provided some footnotes on the earlier news about US trade and consumer spending.
The first quarter trade report, taken with the April figures for personal income and expenditure,

suggest that there was nothing freakish about the March trade figures, which set off the dollar hoom a fortnight ago: they appear part of a solid trend. The message is reassuring, and poten-tially even sensational; but you will only have heard it if you read the small print. American consumers appear to

American consumers appear to hold the key; in the first four months of this year they saved more than 45 per cent more than in an average four months in 1988. If this trend is maintained, they will save \$55hn more this then they did last. The change is clearly reflected in the change is clearly reflected in the trade figures. quarterly trade figures are

usually passed over as stale news, but they do contain details and corrections not to be found in the monthly figures; and they also give volume figures.

The effect this year is striking:
the corrected figures show that while exports have been growing at about the rate the earlier fig-

ures suggested, imports were

almost unchanged in value in the

first quarter, and actually down The biggest change was a 3 per

cent fall in the volume of consumer goods imports, and this came as a surprise. When the monthly figures appeared, most commentators were still talking about the goods sucked in by the American appetite for imported goods. It turns out that the people doing the sucking were for-eign companies, bringing in parts and equipment for their rapidly expanding operations here. These rub our hands together in glee.)
So much for theorists and com-

plants are not only displacing imports, but beginning to export, too – things like Hondas for Japan For Europe too, soon.

Now, if President Bush announced that he and Congress were already cutting the Federal deficit at an annual rate of \$650n, through reduced spending, and tion. helping to cut the trade deficit as a result, even the Japanese crit-ics of US policy would surely cheer. But when consumers look like achieving exactly the same adjustment in the US savings/in-

spending, you have to hunt for any reaction at all. This is largely because the economic theorists have no explanation for the rise in saving, so nobody knows if it is reliable. We will probably have to wait years

vestment balance by cutting their

for theory to catch up with the facts: that is how modern, statis-tical economics tends to work. Until then, the odd forecasters like Ed Yardeni of Prudential Bache, and myself, who have been expecting a demographic rise in savings all along, can only keep our fingers crossed. (This at least makes it difficult for us to

mentators; but what about the markets? They have been behav-ing for the last two weeks as if they know the news even before the statisticians had worked it out. And the currency dealers are not the only masters of anticipa-

Did you know, for example that the whole of the celebrated Federal deficit now consists entirely of interest payments on the national debt? Such a deficit is largely self-financing, thanks to the more or less automatic reinvestment of coupon income by existing bondholders. You probably did not know this; but the bond market apparently did.

These achievements surely tell us something about how markets really work. Commentators

nearly always discuss price

movements as responses to the published news; dealers, who have to find something to say when journalists ring them up, confirm this impression. But the fact is that markets are moved by financial flows - buying and selling orders - long before the statisticians can collect and publish them. Goods move, people earn and borrow, spend and save, feel good or bad about life and ring their stockbrokers. The financial flows which result move prices, and contain the yet-unpublished news.

So the markets are a little like Moilere's M. Jourdain, who discovered that he had been talking prose all his life without knowing Traders are responding to news they have not yet heard; when they are later "surprised" by the published figures, they are in danger of doing a double take. (Information theorists might try playing with this as an explana-

tion for market volatility.) The truth is that much economic news is published long after the markets have responded to it. This is a grim confession to have to make in this newspaper, but there is nothing to be done about it. Official statistics are not

- and inaccurate history at that.

Mr Harold MacMillan, the former
UK prime minister, made this point when he said that the most pressing problem in making economic policy was forecasting the recent past. American statistics

were surprised by the good US trade figures for March; yet when the figures appeared, the events they reported were already nearly two months old. The payfor that matter, were progress payments and hedging transactions to cover trade which may still have not cleared customs today. Some of the "news" which moved prices in the spring will

Finally, a couple of good-news footnotes. One is simply an unexplained fact: personal tax payments seem to be running some \$16bn above official projections, for the second year running. Either incomes are higher than reported, or the 1986 US tax-re-

current events, but recent history form was not quite as revenue-

The second is no more than a suggestion at this stage: the cur-rent wave of ethics scandals in can be more historical (and at Congress could open the way to times more inaccurate) than some real improvement in polimost. A fortnight ago the markets control. The scandals concern the ways in which Congressmen raise the huge sums of money needed for campaigning, US style; they get into trouble when it is thought that they are in fact ments shown in the report were lining their own pockets - an being made in March - and so, understandable temptation, since they have not had a pay increase

in fact, the damage caused by the American system is more insidious: it almost forces Congressmen to attract contributions not be published officially until by promising local favours. A new ethics bill is on the way, which will certainly tighten up the financing rules to some extent. Since pork-barrel politics is in any case virtually built in to the Federal system, it is no good expecting miracles; but it would not take a miracle to produce a useful improvement.

Economics Notebook

Eagerness of the EC in-crowd

think much of European inte-gration. But among the Euro-pean Community's neighbours the subject has become an obsession. Three days at last week's

International Management Symposium in St Gallen were an eye opener in many ways. In eastern Switzerland, Mr Lawson's travalls with infla-tion, sterling and bank base rates made not the slightest impact on the Richter Scale of issues for concern. While the Prime Minister

frets about loss of British sovereignty, EC developments are making countries like Austria and Switzerland re-examine

many sacred cows.

Mr David de Pury, Switzer-land's chief trade negotiator, summed up the intellectual ferment with the observation that "there are no longer any

Hallowed institutions such its Switzerland's heavily protected agriculture, its army—
even its neutrality—are subject to critical scrutiny.
Although Switzerland regards membership of the EC as politically unrealistic at present, its economic and foreven policy is simed at becomeign policy is aimed at becoming fully involved in the European "economic area" that it expects to emerge from the

1992 project for a barrier-free internal market Austria appears further down the EC road than Switzerland. Mr Franz Vranitzky, the Austrian Chancellor, fully expects that present internal studies will lead to a formal application to join the EC and is determined that Austria should participate fully in the creation of the internal mar-

Whether such hopes are realistic is another matter. Austria's application will be coupled with demands for the maintenance of Austria's neatrality and measures to ensure

MRS THATCHER may not that the country retains its think much of European integration. But among the Euroenvironmental standards.

It was hardly surprising, therefore, to hear Mr Gaston Thorn, the former EC commissioner; inject an element of

caution into the proceedings. The community, he said, was not urging countries like Austria to come into the club. Indeed, outsiders would have to take the key elements of the EC such as the Treaty of Rome and the Single European Act as they found them.

But Mr Vranitzky's eager-ness to join the EC tells a lot about how the community is viewed by those immediately on the outside.

Increased integration is regarded as unstoppable. Industry in Switzerland, Austria and Sweden is constantly pressing for closer ties.

There is also a fear of being left out. For example, Mr Marcus Lusser, the president of the Swiss National Bank, warned that an integrated Europe could have the same capacity in the future as the US has in the past to transmit accounts. the past to transmit economic "shocks" to the rest of the

Southern discomfort

There are growing fears in the south of the EC that Europe could itself be subject to economic, political and social shocks from the impoverished nations of North Africa.

for the US by Mexico.

Mexico has recently made

Professor Romano Prodi, president of Raly's giant state-owned IRI holding company, warned that Europe could face a problem more grave on its southern flank than that posed

considerable economic progress. its budget deficit has been reduced; trade barriers have been cut by two thirds, public enterprises have have have

lation is under the age of 15 there are some hopes that it will now obtain the large and continuing flow of imported capital that it needs. Mr Prodi, who was an Italian minister of industry before turning industrialist, argues

that the countries on the southern shore of the Mediter-ranean are extremely poor, with rapidly rising populations and - unlike Mexico - with no sign of economic take off. He believes that the European Community must devise a pian for the region lest it

become a long-term threat to Europe's prosperity and peace. Soviet clarity

The spirit of Glasnost was alive and well in St Gallen last week, But the assembled businessmen also sent a hard-headed message to Moscow to the effect that large-scale West-ern investment in the USSR will not be possible until the Soviet Union learns about profits and how to calculate costs and prices in the same way as the West.

The appearance of two Soviet students of business administration at the sympo-sium suggests that such a day may not be so far in the future. Soviet business schools mod-elled on those in the West have already been established in Kiev and Moscow.

One of these - the Ukranian School of International Business in Kiev - is trying to make the Soviet economy more transparent to the outside

It has started offering Soviet economic indicators to sub-scribers in the East and West on a quarterly basis. Although it provides the service in English, Russian and Ukrainian, the only subscription prices it quotes are in dollars.

THIS WEEK

US LABOUR market figures on Friday, which will provide the first indications of the strength of economic activity in May, are likely to be the most closely watched statistics in financial markets this week. The recent volatility of the dollar has largely hinged on speculation about a possible slowdown in economic growth which may eventually lead to lower interest rates. A modest rise in employment could fur-

ther encourage markets. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a rise of 200,000 in non-farm payrolls against 117,000 in April. The unemployment rate is expected to fall to 5.2 per cent, from 5.8

per cent in April. Government ministers from members of the Organisation for Economic Cooperation and Development meet in Paris tomorrow and Thursday. Discussions are likely to focus on

worldwide macro-economic pol-icies and problems.

Speculation about a rise in West German interest rates could intensify when the Bund-esbank council meets in Berlin espank council meets in Berint on Thursday, its annual visit to the city. A rise in rates is thought unlikely.

Also in West Germany fig-ures for industrial production

in April and consumer prices in May are expected this week. Opec oil ministers meet in Vienna on Thursday, in advance of the formal ministe-rial conference scheduled for June 5. The meeting will decide on the Opec production ceiling for the second half of the year as well as individual quotas for members. The meet-ing is expected to address some ing is expected to address some contentious issues, and could have a big impact on oil prices.

French trade figures for April will be released tomorrow and could trigger fresh fears of a widening trade gap. Figures for March, showing a deficit of FFracam (\$38m), are widely thought to have been

Peter Norman widely thought to have been freakishly low.

UK economic statistics cen-

UK official reserves

tre on official reserves figures for May released on Friday. These could attract more attention than usual as they will reflect the scale of Bank of England intervention to support sterling and check rises in the dollar.

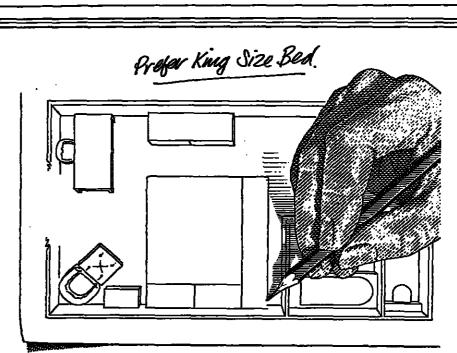
The consensus is for an underlying fall of \$1.2bn. Other events and statistics this week (with MMS international consensus in brackets) Today: US new home sales in

April (+1.4 per cent). UK, new vehicle registrations in April. Wednesday: US factory goods orders in April (+1.8 per cent), leading indicators for April (+0.8 per cent). Mr Michel Camdessus, managing director of the International Monetary Fund delivers speech in Paris on recent developments and proposals for third world debt. Bank of England publishes statistics including bill turnover and final money supply figures for April.
Thursday: UK, Department

of Trade and Industry pub-lishes Spring survey of invest-ment intentions in manufactur-ing and service industries. ing and service industries.

Friday: UK, company liquidity survey in first quarter.

Finance ministers of the group of ten leading industrial nations meet in Berne, Switzerland to endorse a report on responsibilities of the International Monetary Fund and World Bank in the debt crisis.



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INTERNATIONAL CAPITAL MARKETS

for takeover funds THE FUTURE of trading on the new-issue, or primary, sector of the Euromarkets came to of the Euromarkets came to of the Euromarkets came to one to of the Euromarkets came to one t

DETAILS of some long-awaited takeover financings emerged last week with the upsurge in merger and acquisition activity in the UK.

The largest, and the most conventional, of these was the \$3.1bn in loans for RTZ to help finance its \$4.3bn purchase of the mineral assets of British Petroleum. The loans, accompanied by a £486m rights issue, will boost the company's gearing - net borrowings as a percentage of shareholder funds - from 7 per cent at the end of last year to about 93 per cent.

The financing was arranged by Barclays Bank and J.P. Morgan which, along with Credit Suisse, Deutsche Bank and the Toronto-Dominion Bank, have underwritten the facility.

Tinto Investments, a Canadian subsidiary, will borrow up to US\$700m for five years, paying interest of 0.3 percentage points over the London interbank offered rate. Two US subsidiaries will borrow up to \$2.4bn for eight years at 40

Explaining why the terms were not more favourable to RTZ, the company said "these margins reflect the relatively large size of the financing, the long average life of the amortisation schedule (which is designed to optimise the group's tax efficiency) and the large individual bank partici-

pation amounts." The loans, which will probably be refinanced by the com-pany, were launched into general syndication on Wednesday with RTZ relationship banks. Midland Montagu, which in the previous week underwrote

> EUROMARKET TURNOVER (\$m)

with Citicorp \$910m in acquisi-tion finance for WPP, is also co-underwriting a £427m David and Goliath bid launched last week by Anglo United, an open-cast mining and fuel distribution company, for Coalite. The £430m acquisition financing reflects the fact that Anglo United wants Coalite's fuel distribution network, and would

dispose of much of the rest. The other underwriter of the £200m 1%-year bridging facility and £230m 6%-year acquisition facility is Hongkong & Shanghai Bank. It will not be syndicated unless and until the bid is successful.

Citicorp Investment Bank launched two corporate deals last week. The largest was a \$500m multi-option facility for the finance subsidiary of Elders Resources NZFP, the

New-Zealand incorporated for-est products group which is 49 per cent held by Elders IXL.

The five-year facility carries an underwriting fee of 12½ hasis points, with a margin of 15 basis points. Utilisation fees start at 5 basis points if more than a third is drawn and 7% basis points if more than two

A measure of the advantage some US companies believe exists in the international markets is contained in the rapid refinancing of a segment of a US-syndicated financing signed last October for Burlington Northern Railroad of Fort Worth, which operates rail-

ways in 25 states and Canada. The original \$750m facility was for five years and carried a margin of 1 point and a commitment fee of 1 point, although both would come down in the case of a sufficient improvement in the company's credit rating.

The international deal was apparently the idea of a new finance director, who believed last year's facility, also arranged by Citicorp, could be improved on. Although admittedly shorter in maturity and smaller in size - \$300m over three years - the financing carries a facility fee of 10 basis points, an interest margin of 12% basis points and a utilisa-tion fee of 7% basis points if more than half used.

Stephen Fidler

RTZ heads queue Spotlight falls on price support in new-issue sector

under the spotlight last week, reclaiming the leading place it has occupied in the minds of syndicate managers this year. This time the question on traders' lips was whether new Eurobond issues needed formal price support from the lead manager. They were prompted partly by the realisation that

deals without obvious support were struggling in a choppy In the eye of the storm was Credit Suisse First Boston, which in March asserted via Mr Hans-Jeorg Rudloff, its chairman, that it would no lon-

ger make prices of its new issues to independent brokers. Mr Rudloff argued that the brokers provided an outlet for intermediaries in an unprofitable market and that by making ble market and that by making prices only to its syndicate partners, CSFB would encour-age discipline and enhance the efficiency of primary distribu-

In particular, brokers were the normal vehicle by which co-managers could anonymously sell their allocations back to the lead manager if they were unable or unwilling to work at distributing the paper to end-investors.

Many syndicate officials dis-

when it was announced, saying the brokers added liquidity and transparency to a market where the display of genuine prices was vital to credibility. Last week it emerged that other houses have been consistently bidding on broker's screens for several of CSFB's deals, including Du Pont and

the recent Electrolux issue. This led to comment that CSFB was supporting its issues via third parties, although everyone denied there was any formal arrangement. Some houses involved said they did not agree with the specific policy of not making prices to bro-

Through the debate aroused by CSFB's policy, it has become clear that the market's original interpretation of the new-issue procedure as primar-ily an attack on the brokers was wrong. The real intention of the policy was to go to the heart of a contradiction inherent in the current ethos of the underwriting community, a contradiction which many sented from CSFB's policy senior managers think will have to be removed if the Euro-

market is to survive. If a bank or securities house believes it can distribute paper to investors as part of an underwriting syndicate, it clearly has the motivation to enter a deal, either buying the whole deal as lead manager or accepting a lower management

invitation. With genuine placement power, a house has no interest in exploiting the anonymity provided by the shield of the independent brokers. However, if it accepts a deal knowing it has no placement power or

place the bonds, a house can dump its bonds and with them the underwriting responsibility implied by its acceptance of the invitation to participate. While the brokers undoubt-edly provide liquidity and transparency, their activity can also serve to disguise shift-

ing patterns of placement Houses can enter deals and lay claim to a share of distribution power within a particular sector, even while their power may in reality be waning or

non-existent.

Arguably this allows the excesses of over-competition to endure far longer then they would if a different underwriting system included the open auditing of trading books on the primary bond market.

An indication of how quickly

placement power can materialise and evaporate within a sector was shown by last Friday's Eculogm seven-year issue for Crédit Foncier. The lead manager was Union Bank of Switzerland, with CSFB and BNP Capital Markets as joint lead-managers. While the mandate was reward for hard work in the Ecu sector by UBS this year, it also acknowledged the reality that Swiss investors now supply the most consistent demand for Ecu-denominated bonds.

The weakness of the Swiss franc and the discrediting of the D.Mark after the withholding tax episode has turned Swiss investors towards what they now see as the best defensive currency. This shift has combined with the established placement power of the Swiss banks to alter the profile of the

Ecu sector. Although it was increase last week, a SNCF 10-year Ecu deal was reported to be proving difficult to distribute.

There was well-informed speculation that the maturity of the Crédit Foncier deal was set at the incommendation of the set at the instruction of the French Treasury, which over-

sees deals by government agen-cies. The 10-year deal proposed by Crédit Foncier was apparently altered to a seven-year maturity so that it would not compete directly with the

While this was acceptable both to the agency and the lead manager, it reflects an impor-tant shift within the market for origination and syndication

of Ecu deals. in the Euromarkets as a whole, resistance to change is sporadic, waxing and waning with the latest filusien that profitability can be restored to the Euromarket without withdrawals from the business.

That there will be damaging withdrawals, however, is becoming more likely as the weeks pass and losses mount. At a strategic level, managements can be forely to the forely as the forel ments can be forgiven for looking at the bottom line and wondering when the buck has

Andrew Freeman

MAY 1989

						NEW INTE	RNATIO	VAL BOND ISSU	ES			<u> </u>	. <u> </u>	<u> </u>	
Barrowers	Amount m.	Maturity	Av. lite years	Coupon %	- Price	Book runner	Offer yield %	Borrowers Tobishima Corp.(q)	Amount m. 500	Maturity 1993	Av. Iffe years	Coupon (1 ₂)	Price 100	Book runner C	Offer yiek
US DOLLARS					100	Nomura Int.	4,875	STERLING				12	100%	Warburg Securities	11.63
Showa Aluminium®® Nippondenso Co.®® Toyota Motor Corp.®®	150 1bn 1.5bn	1994 1993 1993	4	4 4 4 9 ¹ 4	100 100 101 ¹ 2	Nomura Int. Nomura Int. Merrill Lynch	4.000 4.000 8.952	Oest. Kontrolibank Colf.Mort.Secs.No.1‡	100 200	1992 1992/98	112/7.4	(ħ)	160	Goldman Sachs Int.	
Austria, Republic of	100	1996 1996	′	374 10	101%	Mitsubishi Fin. Int.	9.620	ECUs		1994	5	9	1013	Bankers Trust Int.	8.55 8.43
ASLK-CGER IFICO♦	30	1990	i	154	101	Bankers Trust Int.	14.109	Nat. Nederlanden US	100 75	1991	ž	914	101.45	Sumitomo Fin. Int.	0.40 8.54
Union Bk of Finland(b)	50	1992	3	113	1013	Goldman Sachs Int.	11.186	Volvo Group Financa Fed. Business Dev.Bank	100	1994	5	9	101.80	Boe Paribas Cap Mikts. UBS Phillips & Draw	8.54 8.63
Press Kogyo Co. Seika Corp.	100 80 45	`1993 1993 1996	4 4 65	(4 ¹ 2) (5) 22bp 9 ³ 8 9 ¹ 2	100 100 100.10	Nomura Int. Daiwa Europe Yasuda Trust(Europe)		Credit Foncier ♦ ECSC(r) ♦	100 41	1996 1997	7 7½	8	101 % 96%	SBC	8.61
Eagle(c)† Deutsche Bank Finance Electrolux	200 125	1999 1994	10 5	93g 91g	1015g 1015g 65.305	Deutsche Bk Cap.Mkts CSFB Nomura Int.	9,120 9,081 8,896	FRENCH FRANCS Barclays Bank Pic	- 500	1996	7	. 8	10112	SNP Capital Markets	8.70
Monte d'Paschi d'Siena ◆ Sapporo Braweries ◆ Mitsubishi Heavy Ind. ◆	100 200 1,5bn	1994 1993 1993	4	(4 ¹ 2) (4 ³ 8) (4 ³ 8) (4 ¹ 2)	100	Yamaichi int. (Eur) Nikko Secs. (Europe)	*	LIRE Unilever NV⊕	150bn	1994		1214	1013	San Paolo Bink	12.98
Mitsukoshi Ltd.	400	1993	4	(43 ₂)	100	Nomura Int. Dalwa Europe	÷	•		•	··	٠.	. •		
Alps Electrice	200	1993 undated	4	T.	100 100	Merriii Lynch	· · · · · · · · · · · · · · · · · · ·	GUILDERS		4000		8	10112	ABN	7,71
State Bank Victoria(k)♥◆	200 300	1996	7	93 ₈ 16	101.70	Kidder Peabody	9,037	Bk Foreign Ec.Aff.USSR♦	: 250	1996		•			
GECC♦ Rhone-Poulenc Comm.(I)◆	50	1990	i	16	1013	Societe Generale	14.427	DANISH KRONER	<u></u>		_ <u></u>				9.00
Olympus Optical Co.4 Olympus Optical Co.4	150 150	1993 1993	4	(4 ³ 8) (4 ³ 8) (4 ³ 8) (4 ³ 8)	100 100 100	Yamaichi int. (Eur) Nomura (Singapore) Niidko Secs. (Europe)	* *	Commerzbank O'seas Fin.	300	1993	4	0	70%	Privatbankan	- 5.00
Suzuki Motor Co. Dalwa House Ind. Finnish Ex. Credit(m)	300 800 200	1993 1993 1999	4 4 10	(4-8) (4-8) 9 ¹ 2	100 99.93	Nomura Int. Goldman Sachs	9.511	PESETAS EBI∳	10bn	1984	- 5	12.20	100	B. Santander Negocios	12,2
. 1		,,,,,		_			•	- YEN	·					are and all the	6.5
AUSTRALIAN DOLLARS				18	1015	Nomura Int.	16,113	Den Danske-Bank(e) ♦	: 5bn	1993	4	7	1015 1024	Nippon Credit Int. IBJ Int.	7.9
Eksportfinans ♦	100	1990	1	10	וטו-ק	- INCHIDITE IIM		· IBJ Finance Co.(g) ♦	: 20bn	2004	15	814 514	100%	Norinchukin lat.	5.1
D-MARKS								World Bank(s)◆	10bn 5bn	1994 1999	5. 10	5.45	100	Salomen Brothers	5.4
National Bk of Hungary	200	1997	8	8	108	DG Bank	5.000 8.283	Alitalia★★◆ Banco di Napoli(o)◆	503	1993	· 4	8	1013	Dalwa Europe	7.50 4.90
Eurofima(d)(s) ◆	150	1993	4	85	1014		7.133	National Home Loans(p)	5bn	1994	423	53 ₈	1013	Yasuda Trust Europe IBJ int.	7.33
THK Co.**	50	1994	5	71 ₂	10112		8,701	Sparekassen SDS(e)◆	3bn	1994	5	7.8	1013	HEN HT.	inel terms.
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Sonton Food Ind.(j)***§	40	1994	-	12	100	Nomura Bank (Switz) Nomura Bank (Switz)	± 0.500	tranches of \$110m, \$35m and \$	25m with \$900	ade of below	en 10bp and	1 20bp. Avera	ge jide beb 1796. k) 3-	reen 1º2 and 7.4 years, 2009-up t over 3-month Liber, lovestor put b	back of Mer
Holauriku El.ind.(i)★★\$	150	1994	-	(32)	100	Nomura Sank (Switz)	2	called, to between 40bp and 50t	p. i) indicated	put to yield	ا (Te. () الكوني 10 DM مع الكوني	v LISS at strict	price of D	M1.90. m) Leunahed on US domes	dic merius.

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April, 1989

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BARCLAYS de ZOETE WEDD

INTERNATIONAL CAPITAL MARKETS

Sector UK GILTS

Market split over future of rates

THE GILT-EDGED securities market is evenly divided over the future course of interest the future course of interest rates, believing they could either stay at 14 per cent or rise to 15 per cent. It is certain, however, that enough, perhaps too much, has been done to cool the domestic economy.

An impromptu survey of 10 participants, consisting of market markers and economists, discloses a clear preference for cash, with the long end of the market coming a distant secmarket coming a distant sec-ond. The strategy recom-mended is decidedly cautious and summed up in the words of Mr Peter Clark, at Kleinwort Benson, who said gilts "remain a market for one night stands,

not a lasting relationship.

A minority believes that value at the long end will convante at the long end will continue to be underginned by the Bank of England. Its efforts to defend sterling, which has required intervention in foreign exchange markets, will have to be sterilised and that means a step-up in official pur-chases at the long end.

It was well telegraphed to the market that the Treasury

and the Bank thought 13 per cent interest rates were work-ing in the way they were intended. Most of the market agreed and economic indicators released last week clearly supported that view. The volume of retail sales was down 1.4 per cent in April and since last summer it has barely grown. First-quarter gross domestic product figures,

B.N.P. 184 93.
B.N.P. 134 89
BP CAPITAL 94, 93.
BP CAPITAL 114 92.
BR. COLL HYDER 114, 93.
BRITISH 11E ESDAN 118 93, 98
CAMPAGN 114, 90.
CAMPAGN 114, 90.
CAMADAN PACIFIC 27, 95.
CAMADAN PACIFIC 214, 93.
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C.C.L.E. 74, 91.
CEPME 74, 95.
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| 100 | 1024 | 115 | 100 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 115 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 | 1004 |

UK gilts yields Restated at par (%) May 26,1989

which showed a (largely oil induced) fall compared with the fourth quarter of 1988, lent support. Figures for new construction orders in March showed a 9 per cent fall year-

May-19,1989

10 years 20 Source: Warburg S

In an attempt to make a silk purse out of a sow's ear, the official line last week was that the move to 14 per cent has been particularly well targeted. The Treasury and the Bank maintain that the new level of base rates will support the exchange rate but will not feed through to higher mortgage interest rates and hence hit the

The only house of the 10 surveyed to retain its belief in the soft landing is Warburg Securities. It believes the prospect remains one where growth slows. But the consumer is not destroyed and the pound will

QUEBEL PROV 13 90
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RAISTON PURRA 111, 95
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RESEARCH HIT V7, 90
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not rise high enough to offer the risk of a hard landing. The market is, however, gen-erally disinclined to believe the erally disinclined to believe the authorities when they say the new level of base rates will not affect domestic activity. Goldman Sachs believes the UK is in for "a long dose of stagilation." The outlook is for persistently high inflation, with growth of around 1 per cent for a long period but with some

considerable improvement in the balance of payments. The view of most in the mar-ket is that if interest rates are sustained at 14 per cent for much more than a month, then building societies will be forced to move. A rise to 15 per cent, which 5 of the 10 sur-veyed think will happen within the next three months, will certainly tip the hand of the soci-

eties.

To these participants, a move to 15 per cent will be occasioned by sterling, which remains a large problem for the authorities. The Govern-ment appears divided among itself and is losing ground in opinion polls, both of which are unsettling to international investors. This is happening at a time when co-operation among the Group of Seven leading industrialised countries also appears at a low point and is fuelling interest in

the dollar. The next few weeks have therefore assumed the utmost importance to the market. At the time of writing, it seemed

YER STRABBITS
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EIR CREDIT CORP 54, 92,
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FT/AIBD INTERNATIONAL BOND SERVICE

the Japanese authorities were going to raise their discount rate 0.75 percentage points to 3.25 per cent - this being a compromise between the needs of the bond market and the equity market. The bond market would have pushed for another half-point rise if the Bank of Japan had moved only by a half, and the equity mar-ket, which would have been unsettled by the latter event, was seen to be able to cope with three-quarters of a point. The focus later this week will switch to Frankfurt, where the Bundesbank council meets on Thursday. Failing another revolt by regional bank governors, it is unlikely that the Bundesbank will raise its discount and Lombard rates. The line from officials in Frankfurt

is rates are moved only in response to domestic conditions and that no new data has emerged to make a rise necessary. Moreover, the rise in the price: level currently being reported reflects the past and appropriate action has been Where the combination of the Japanese rise in rates and

the German reluctance to do the same leaves the dollar and sterling is anyone's guess. It seems unlikely to undermine the dollar but sterling could find support on the crosses in the absence of Bundesbank action on rates.

Simon Holberton

US MONEY AND CREDIT

Investors cling to careering dollar

THE CREDIT markets have become quite single-minded. For the past three weeks, lenders and bond investors have ignored signals about the state of the US economy. They have simply hung on for dear life to a careering dollar exchange

Last week brought more of this. News of strong personal income and spending in April, robust durable goods orders and an ambiguous first-quarter figure for gross national product flashed by the markets almost without registering.
The sharp 1.1 per cent rise in
personal spending on Friday
did set bond prices back but
this was quickly made good when the dollar continued upwards.

By the end of last week, the Treasury long bond was up by a full point, with its yield falling to 861 per cent. With this drop in yield, the long bond has decisively broken out of the range of 8.75 per cent to 9.50 per cent, which has been the price of 30-year money for a year. Merrill Lynch, among others, is badgering small investors to take these yields with the promise and threat they will fall further.

Yesterday, neither the for-eign exchange nor the bond market traded in New York

holiday. Overseas, the dollar was very strong and it is hard to see what is going to cool the speculative fever behind the rush into US financial invest-

On Friday, dollar bulls effortlessly frustrated two rounds of dollar sales by central banks. Higher interest rates abroad did nothing to stem the appeal of dollar investments. Base lending rates rose to 14 per cent in the UK and there was a piece of interest rate tinkering by the Swiss central bank which had the offert of relating Swissen. the effect of raising Switzer-land's Lombard rate.

The markets are also ready for rate increases in Japan and West Germany. For weeks there has been talk of a rise in the Japanese discount rate: the current guess is for a three-quarter point rise as early as this week. As for West Germany, which has pushed up interest rates twice already this year, the market seems to be thinking of some kind of Swiss-style move.

For the bond market, the dollar's rise brings not only the usual advantages of falling import prices and increased foreign interest. The sudden upturn in the exchange rate after three years of stagnation or decline may have some crude but salutary economic effects.

dollar exchange rate which was going to help the US export its way to repatriating

There are parts of manufacturing industry — most notori-ously steel, chemicals and paper — which have enjoyed de facto import protection through dollar devaluation and are running their machines at full capacity. The move in the dollar will now make it hard for them to raise prices with the freedom they have enjoyed for two years. And that will help limit inflationary pressure further down the production further down the production

Salomon Brothers gives this salomon Brothers gives this example from the paper industry. US paper pulp sells for \$40 a ton, up a handsome 14 per cent over the past year. But the 17 per cent rise in the dollar against the D-Mark has handed Scandingrian myduo. handed Scandinavian producers a \$75 a ton price advantage and the US producers will have to give up something, whether price, profits or market share. This month's equity market, which has been oddly choosy for such a strong performer, wants nothing to do with last season's stars such as Bethlehem Steel, Union Carbide and International Paper.

Instead, a period of lower interest rates could stimulate depressed areas of the economy where growth is unlikely to be inflationary. The fall in interest rates, for example, might help residential con-struction in some markets of from the banking system all the north-east and Texas, week to keep Fed funds at the where inflationary expectations are, to say the least, low.
What is particularly striking
What is particularly striking about the bond market rally is that fixed-income markets beaten, the Fed evidently does seem no longer bothered by the not. imbalance in US trade. After

surplus dollars overseas. Admittedly, the merchandise trade deficit for March was \$3.9bn and a lot of people seem ready to say that the April fig-ure, which will be published halfway through June, will show another decline. It is possnow another decline. It is possible, too, that the rise in the dollar will temporarily flatter the trade statistics through a J-curve effect, reducing import prices as expressed in dollars.

But the equity market, for one, is far from sure that US manufacturers can adjust to an

manufacturers can adjust to an skill of Japanese industry. And it may well be that the bond market has decided that the dollar's rise will "hollow out" more of US industry with the attendant disinflationary effects of factory closures and job losses. It is not impossible that the dollar's rise actually signals the recession.

It is thoughts of this sort that have had the credit markets bubbling over with antici-pation of a cut in Federal Reserve interest rates. With one-year and two-year Treasury notes yielding almost a percentage point less than overnight Federal funds, there was much speculation last week that the Fed would ease. But though the Fed sold dol-lars heavily in the foreign

seems to think inflation is

James Buchan

Chase boosts credit cards

By Janet Bush in New York

CHASE Manhattan added significantly to its credit card business by purchasing a \$1.1bn portfolio of Visa and Mastercard accounts from Independence One Bank of South Dakota, the largest deal of its kind.

The purchase of the Independence One portfolio by the Delaware subsidiary of Chase increases the bank's credit card base to more than 7m

accounts. Chase is already ranked second in total consumer unsecured revolving credit and will have outstandings of more than \$8bn.

Mr Thomas Conway Lynch, an executive vice president, said: "This is the largest credit card acquisition on record and it underscores Chase's commitment to invest in businesses that have superior core-earnings power.

6,27 5,60 5,74 6,77 6,65 6,65 US BOND PRICES AND YIELDS (%) Yield NRI TOKYO BOND INDEX . PERFORMANCE INDEX December 1983 - 100 25/5/89 147.99 149.14 147.73 147.73

US MONEY MARKET RATES (%)

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Liquidators appointed at listed Australian broker

By Chris Sherwell in Sydney

THE TROUBLES of Australia's broking industry were exposed yesterday when provisional liq-uidators were appointed at Jackson's, the listed Sydney

Shares in the firm, one of two listed brokers, were suspended, and its futures operation stopped business. MBII, the Malaysian finance house which is a key shareholder with a stake of about 15 per cent, said it would make

the necessary provisions.

Jackson's demise follows a number of recent setbacks. Earlier this month it said it would cut overheads by closing its offices in Melbourne and

Perth. That retrenchment followed the sacking of about 20 staff at the end of March, and earlier redundancies last year. The firm reported a A\$6.8m (US\$5.19m) loss for the six months to December, and a loss of more than A\$7m in the year to June 1988. When it listed at the height of the boom in July 1987, it was the first of Australia's brokers to go pub-lic. McIntosh Securities has

since listed as well. It is widely known that most Australian brokers have suffered financially from the low turnovers and competitive commission rates which have prevailed since the October is J.B. Were.

Recent results from banking parents have confirmed the trend. So has more direct evidence, such as last month's decision to cease trading by Randall Cran & Green, the small Melbourne broker, and a general stream of redundan-

Some broking firms, to strengthen their positions, have sold significant stakes to outsiders. Bain & Co found Deutsche Bank of West Germany as a partner, and McNab Clarke was bought by First Boston of the US. The largest independent broker remaining

France increases bond dealers

By George Graham in Paris

THE FRENCH Government has named three more reporting dealers for its Treasury bond market, opening the way for the first time to Japanese and British securities houses. Bacot-Allain, the French stockbroking subsidiary of the UK's S.G. Warburg, Nomura,

the largest Japanese securities group, and Compagnie Pari-sienne de Réescompte, a French discount house, have all been named "correspondents en valeurs du Trésor, joining two other banks in the same position and 12 full primary dealers, or "spécialistes en valeurs du Trésor.

The enlargement of the circle of Treasury bond dealers has prompted grumbles from some of the banks already implanted in the market. Since the Government selected the first primary dealers in Decem-ber 1986, only one firm has dropped out of the market, but several others have scaled back their level of activity.

"It is clear that once you go above a certain number of cult to make a profit, and we had already reached that number," said the head of bond dealing at one French bank yesterday, adding that he feared Nomura might follow a policy of aggressively seeking

market share. The French Finance Ministry will be carrying out a review of the existing primary dealers

early next year, and it is thought possible that at this stage some might be demoted or replaced by the reporting

ealers. All authorised dealers are under the obligation to make permanent markets across the range of Treasury bonds and bills, but full primary dealers receive in return the right to make non-competitive bids at the regular monthly bond auctions. Reporting dealers merely gain access to the two inter-

ealer brokers in Paris. Warburg and Nomura are not the first foreign groups to be admitted to the circle of French Government bond dealers: J.P. Morgan was one of the

Irish futures exchange launched

By Kleran Cooke in Dublin

MR Charles Haughey, the Irish Prime Minister, yesterday launched the Irish Futures and Options Exchange (Ifox), the first exchange to be created in Ireland since the formation of the Dublin Stock Exchange in

A total of 24 financial institutions have subscribed I£1.5m (\$1.9m) to set up Ifox, which will initially trade financial futures and options linked to Irish pound gilts, interest rates and Irish pound/dollar

exchange rates.

Its promoters say that Ifox will eventually list futures con-tracts linked to Irish equities and options contracts on gilts, currencies, equities and inter-

automated market with members trading via personal computers in their own offices. with links to a central exchange computer.

Mr Diarmuid Bradley, Ifox managing director, said that

the exchange would enhance significantly investment oppor-tunities for Irish financial

institutions.

Among Ifox members are Ireland's two main commercia banks, Allied Irish Bank and Bank of Ireland, plus Citibank, Banque Nationale de Paris and Ifox is a computer-based Algemene Bank Nederland. Most of Dublin's leading stockbroking firms are also Ifox

This announcement appears as a matter of record only.

members.
Initially Ifox will trade only between 10.30am and 3.30pm.

to buy stake in Swedish tyre maker

By Andrew Fisher in Frankfurt

CONTINENTAL, the West German tyre company, is plan-ning a further expansion in its international activities through the purchase of a majority stake in Nivis Tyre of Sweden, a move which will roughly double its share of the Scandinavian market.

Nivis, part of the KF Industri group, an industrial con-glomerate which is controlled by the Swedish trade union movement, last year had a turnover of SKr1.33bn (\$198m). Like the German company, it has roughly 10 per cent of the Scandinavian mar-ket and numbers Swedish producers Volvo and Saab among its customers as well as exporting tyres to other Euro-

pean countries.

The German company declined to say what price it intended to pay for Nivis, with which it has had a technical agreement since 1957. This dates from the time when Uni-royal, the European subsidiary which was bought by Continental in 1979, was moving

into radial tyres.

By purchasing General Tire of the US for \$643m in late 1987, Continental moved up from seventh to fourth place in the world tyre manufactur-

ing league.
The inclusion of earnings from General Tire for the first time was mainly responsible for last year's 40 per cent jump in Continental's earnings to DM195m (\$105m). As well as producing tyres under the Gislaved and Viking

brands in Sweden and Norway respectively, Nivis, which employs 1,700 people, also has a chain of dealerships in Nor-way. The German company intends to keep the individual tyre brands, adding them to its existing Continental, Univoyal and Semperit brands in

Continental said it hoped to reach a final agreement on the purchase of Nivis this summer. The deal will mark a fur-ther step in the concentration of the world's tyre business into fewer companies, with Continental keen that Nivis does not fall into the hands of a rival producer.

and a self grown him is

Continental Unrest in China scuppers Hopewell's rights issue

By John Elliott in Hong Kong

THE UNREST in China led to the abandonment yesterday of one of Hong Kong's biggest fundraising exercises when underwriters withdrew from a HK\$3.85bn (US\$501m) one-forone rights issue launched seven weeks ago by Hopewell Holdings, a prominent property and construction group.

This was a blow for Mr Gordon Wu, a flamboyant entre-

preneur who controls the company and has built up extensive construction interests in southern China. Analysts regarded the decision as inevitable because of the erratic state of Hong Kong's stock market.

Yesterday the local Hang Seng Index recovered by 79.34 points to close at 2,845.01, after losing 379.96 points in volatile

trading last week. It is still vul-nerable to the political uncer-tainty in China.

Hopewell's shares were suspended on the Hong Kong exchange yesterday. They were last traded at HK\$2.47, compared with an offer price on the issue of HK\$2.60.

Mr Wu planned to use most of the funds to finance two projects – a 91-storey hotel in Hong Kong's Wanchai district and a six-lane highway linking Hong Kong with Guangzhou, the capital of China's Guangdong province and the special economic zone of Zhuhai, adjacent to the Portuguese enclave of Macao.

would seek alternative methods of financing the projects, both of which are already

under way. Hopewell has had problems with Guangdong authorities on the construction of the highway and is believed have been given direct backing

from Peking.

A group of underwriters decided yesterday to terminate their underwriting agreement on the issue because, they said, there had been significant there is market conditions. changes in market conditions since April 12 when they since April 12 when they signed up. Led by James Capel Far East and Wardley Corporate Finance, they were involved in just over HK\$1bn.

Mr Li Kashing's Cheung Kong Holdings was underwriting 13 per cent of the 1,485m new shares on offer and Mr new shares on offer and Mr Wu, along with his family and

mine in the Orange Free State is expected to need additional development capital soon. The JSE has not been

favoured as a source of capital since the crash of 1987, even though industrial share prices

have recovered and are at

record levels. Most large indus-

trial companies have strong

balance sheets and cash flows

generated cash, although financial institutions are flush with cash and eager to invest

in new issues by blue-chip

firms.
Sanlam, the insurance com-

pany, is expected to pay about R450m to follow its rights in

the Gencor issue.

Hopewell said yesterday it fellow directors, was taking up

strong recovery By Stefan Wagstyl NISSAN, the Japanese car maker which has staged a strong recovery after a collapse

strong recovery after a collapse in profits three years ago, yesterday posted a 121 per cent increase in consolidated annual pre-tax profits to Y200.8bn (\$1.4bn).

Strong sales at home of both cars and trucks as well as cost-cutting, plus a great improvement in the profitability of overseas manufacturing operations contributed to the overall gain.

overall gain.
Sales in the year to the end
of March rose 18.4 per cent to
Y4.812bn. Nissan said this was
largely due to success in the
home market where it raised
market share in automobiles to

nearly 25 per cent. It forecast a further 1 percentage point increase in the current year.

Operating profits almost doubled to Y171.3bn due to cost-cutting at home and abroad and the impact of increasing production at recently established overseas plants. Nissan said that profits in the US and Mexico rose

greatly.

Losses at the British plant fell and Nissan said the factory may make a profit this year.

The increase in the contribution from overseas manufacturtion from overseas manufactur-ing operations is highlighted by the fact that in 1988 consoli-dated operating profits were at Y47.6hm, little higher than par-ent company operating profits of Y43.6hm. For the year just emded, consolidated operating profits of Y171bn compared with Y92bn for the parent company. Profits from overseas were expected to continue to grow in the current year. On a consolidated basis, net

income was Y114.6bn, up 77.7 per cent, giving earnings of Y46.27 per share. The parent company registered a 4.7 per cent increase in sales of Y3,580bn, and a 12.9 per cent increase in pre-tax profits to Y154.8bn. Net income was Y63.6bn, or 65 per cent up. The dividend was unchanged at

For the current year, Nissan forecasts further increases in parent company sales and pre-tax profits to Y3,800bn and

Gencor plans to raise R1.5bn

By Jim Jones in Johannesburg

GENCOR, South Africa's second largest mining house, is to raise R1.5bn (US\$555m) in new equity capital in anticipa-tion of several new mining and energy projects. The 20-for 190 rights issue will be the largest seen by the Johannesburg Stock Exchange and analysis believe it could be followed by other issues by Gencor's own

subsidiaries and affiliates.

In April Gencor acquired Mobil's refinery and petrol station chain for R600m when the US oil company divested. Mr Derek Keys, Gencor's chair research the Mobil republished man, says the Mobil purchase has already been financed and that the present rights issue is in anticipation of several new

By lan Rodger in Tokyo

JAPAN'S three top bearing manufacturers have reported

strong profit growth in the year to March 31 1989, thanks

to booming demand from auto-motive, machine tool and other

machinery makers. However,

the three have widely differing

expectations for the current

Pre-tax profits of NTN Toyo

also planning a synfuels devel-opment based on torbanite oil shales to start during the next couple of years at an expected cost of about RIbn.-Several of the group's suband prefer to finance new developments with internally sidiaries are planning new developments and Gencor itself will need to follow their rights

Gencor has been particularly

active in the energy field and has the right to buy a 30 per cent interest in the state-

owned Mossgas off-shore gas venture in 1991. The group is

Samancor is planning to build a stainless steel plant as a joint venture with Highveld Steel & Vanadium; Impala Plat-inum is developing its new Karee mine; and the Oryx gold

per cent to Y225.7bn. The com-

decline to Y8bn this year.

Japanese bearing makers surge ahead The company is looking forward to a further 21 per cent rise in its pre-tax profit in the Bearing, the second-largest

group, rose 48 per cent to Y12.2bn (\$86.2m) on sales up 10 current year to Y19bn.

• Koyo Seiko said pre-tax profits reached Y8.5bn, up 37 per pany expects its profits to ● Nippon Seiko, the largest bearing maker, said its pre-tax cent from the previous year. Sales rose 12 per cent to Y205bn. The company expects pre-tax profits to rise 7 per cent profits had jumped 37 per cent to Y15.7bn on sales of Y275.8bn, up only 3 per cent

R. WAR SARAKARA



Italian Lire 200,000,000,000 Floating Rate Notes Due 1997

Istituto Bancario San Paolo di Torino

Banca Commerciale Italiana Banco di Roma

Banca Nazionale del Lavoro J.P. Morgan Securities Ltd.

Swiss Bank Corporation

Banco di Napoli Credit Suisse First Boston Limited

Crédit Lyonnais Credito Italiano

Banco di Santo Spirito Bankers Trust International Limited Banque Generale du Luxembourg S.A. Bayerische Vereinsbank

Caisse des Dépôts et Consignations Chase Investment Bank

Crédit Commercial de Françe Euromobiliare Italian International Bank Plc (Monte del Paschi di Siena Banking Group) Morgan Stanley International Pasfin International Limited Sanpaolo-Lariano Bank S.A. UBS Phillips & Drew Securities Limited Generale Bank

Banco di Sicilia Banque Bruxelles Lambert S.A. Banque Paribas Capital Markets Limited BHF-BANK

Cassa di Risparmio delle Provincie Lombarde-CARIPLO COMMERZBANK

Deutsche Bank Capital Markets Limited Financière Saint Dominique (Groupe Crédit National) Kredietbank International Group

> Nomura International Salomon Brothers International Limited Société Générale S.G. Warburg Securities

Westdeutsche Landesbank Girozentrale

Norges Kommunalbank

(Incorporated in the Kingdom of Norway)

NOK 200,000,000

9.50 per cent. Guaranteed Notes Due 1992 unconditionally and irrevocably guaranteed

The Kingdom of Norway

Issue Price 100.00 per cent.

Lead Managed by Invest Securities A.S.

Co-Lead Managed by

Leu Securities Limited

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Co-Managed by

Christiania Bank og Kreditkasse Bergen Bank A/S Manufacturers Hanover Norge AS

Kidder, Peabody International Limited Union Bank of Norway

May, 1989.

Creditanstalt-Bankverein

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Electrical Products Exhibition

Personal Investment Market-ing Show (01-948 5166)

Select Investment Show (06333

Fluid Power and Transmission Exhibition - FLUIDTRANS

International Advanced Mate-

rial & Process Engineering

Exhibition and Conference

NEC, Birmingham

NEC, Birmingham

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(01-385 1200)

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Vissan ^{Continues} strong recovery Zi Jaipa Medali

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DIARY DATES

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Trade Fairs and Exhibitions: UK

Enterprise and the North West - Opportunities for Action Conference and Exhibition, (01-642 G-MKX Centre, Manchester

Screen Print and Screen Print Jame 30-July 2 Wear '89 (01-340 3291) NEC, Birmingham

Fine Art and Antiques Fair Royal Show (0203 696969) Olympia July 4-6

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June 11-14 Business to Business Exhibition (01-729 0677) Business Design Centre,

INTERKNIT/INTERWEAVE Exhibition (0533 544017) NEC, Birmingham

Overseas Exhibitions

International State Fair (01-734 International Air Show (01-225 3707) 4791) (until June 4) Nicosia

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

The following conferences are among those to be arranged by the Financial Times this Summer and Autumn:

" COMMERCIAL AVIATION AND AEROSPACE - Towards the Year 2000 Paris 6 & 7 June

> **PUBLISHING IN THE 90s** London 26 & 27 June

WORLD GOLD Lugano 26 & 27 June

CAPITAL MARKETS WORKSHOP London 26, 27 & 28 June -

THE OUTLOOK FOR EUROPEAN **PETROCHEMICALS** London 3 & 4 July

TELECOMMUNICATIONS AND THE EUROPEAN BUSINESS MARKET London 10 & 11 July

WORLD MOTOR Frankfurt 13 & 14 September

RETAIL FINANCIAL SERVICES Landon 2 & 3 October

EUROPE AND THE NORDIC COUNTRIES Stockholm 9 & 10 October

MOBILE COMMUNICATIONS IN THE 90s London 11 & 12 October

RE-REGULATING EUROPE'S FINANCIAL

SECTOR London 16 & 17 October

FT CITY SEMINAR London 31 October, 1 & 2 November

> BUSINESS WITH SPAIN Madrid 6 & 7 November

WORLD SHIPPING IN THE 90s Amsterdam 14 & 15 November

WORLD ELECTRICITY

London 16 & 17 November

All enquiries should be addressed to: Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

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International Wine, Spirits & Equipment Exhibition - VINI-TECH-VINEXPO (01-225 5566)

June 20-25 International Building and Construction Exhibition

International Fancy Food and

IBC: International securities

settlement - what is the future? (01-236 4080) June 5-6 Rusiness Research Interna-

Cafe Royal, London June 5-6 The British Institute of Energy Economics: Fourth annual North Sea conference (01-997

International Express & Courier Services Exhibition and Conference (0420 87303)

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Business and management conferences

Tolley Conferences: Capital Gains Tax for the 1989 tax adviser (01-680 5682). London Press Centre

Hotel International, Zurich tional: Structuring and financing acquisitions (01-637 4383)

Whitehall

Confection Show (01-940 3777) June 27-29

BOARD MEETINGS-Angio American Corp of S.A. Angio Leasing British Telecom

DIVIDEND AND INTEREST PAYMENTS AMAX Inc. 10cts.

(H. F.) & Co. 22cts.

International Professional Broadcasting Recording Public Address Exhibition - PRO AUDIOASIA (0494 729406) Hong Kong

June 5-9

Management Training Consultants: Techniques of supervisory and management training for trainers (0533 627062) June 5-6

Acquisitions Monthly: Strategic alliances - an alternative way ahead (01-823 8740) Inn on the Park, London June 6-7 Financial Times Conferences:

space - Towards the year 2000

BC: Spain - the new benefit environment (01-236 4080) Hotel Melia, Madrid

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Harris (Philip) Hodgs. 7½ % Prl. 2.825p

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ID AND INTEREST PAYMENTS-Hebotag "B" SK\$5

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McKe Commercial aviation and aero-



NESTLÉ S.A., CHAM and VEVEY Payment of dividend

Notice is hereby given to shareholders and holders of participation certificates that following a resolution passed at the General Meeting of shareholders held on May 25, 1989 a dividend for the year 1988 will be paid to them as from May 29, 1989 as follows:

per participation cartificate per share SFr. 35.iess Swiss federal withholding tax of 35% SFr. 61.25 SFr. 12.25 SFr. 113.75 SFr. 22.75 net

This dividend is payable against delivery of coupon No. 7 for all bearer shares and participation certificates. On the other hand, all dividends payable on registered share certificates without coupons will be paid by bank transfer to the stareholder's account or by way of an assignment in accordance with the instructions received from the shareholder.

The dividends are payable in Swiss Francs, free of charge for the beneficiary. Outside Switzerland Paying Agents will pay against coupons and assignments in local currency at the rate of exchange prevailing on the day of presentation; bank transfers will be affected value May 29, 1989 in local currency at the rate of the charge prevailing on the day of presentation;

of exchange prevailing on that date.

Coupon No.7 and assignment may be presented as from May 29, 1989 to the following Paying Agents of the Company:

Credit Suisse, Zurich, and its branch offices. Swiss Bank Corporation, Basie, and its branch offices, Union Bank of Switzerland, Zurich, and its branch offices, Swiss Volksbank, Bern, and its branch offices, Bank Leu Ltd., Zurich, and its branch offices, Banque Cantonale Vaudoise, Lausanne, and its branch offices and agencies, Zurcher Kantonalbank, Zurich, and its branch offices, Berner Kantonalbank, Bern, and its branch offices, Zuger Kantonalbank, Zug, and its branch offices,

Banque de l'Etat de Fribourg, Fribourg, and its agencies, Darier & Cie, Geneva, Lombard. Odier & Cie, Geneva, Pictet & Cie, Geneva, Handelsbank NatiWest, Zurich, and its branch office,

Credit Suisse, London, Swiss Bank Corporation, London, Union Bank of Switzerland, London, in England: in the United

Morgan Guaranty Trust Company of New York, New York, Credit Suisse, New York, Swiss Bank Corporation, New York, of America: Union Bank of Switzerland, New York,

Crédit Commercial de France, Paris, Banque de Paris et des Pays-Bas, Paris, in France: Dresdner Bank AG, Frankfurt/Main and Düsseldorf, in Germany: s: Pierson, Heldring & Pierson, Amsterdam, in the Natheria

Girozentrale und Bank der österreichischen in Austria: Sparkassen AG, Vienna, Nomura Securities Co. Ltd., Tokyo, in Jepan: Yamaichi Securities Co. Ltd., Tokyo.

·Banque Bruxelles Lambert, Brussels.

Cham and Vevey, May 25, 1989

in Belgium:

The Board of Directors

NOTICE TO HOLDERS



U.S.\$155,000,000

Credit for Exports PLC

(incorporated in England with limited liability)

Unsecured Floating Rate Notes due 1985 to 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 7(a) of the above mentioned Notes (the NOTICE IS HEREBY GIVEN that pursuant to Condition 7(a) of the above mentioned Notes (me "Notes") Credit for Exports PLC will, on 3rd July, 1989, redeem U.S.\$2,250,000 in principal amount of the Notes at par (U.S.\$15,080,000 in principal amount of the Notes having been purchased on behalf of Credit for Exports PLC in the open market, in compliance with the provisions of Condition 7(b) of the Notes, and having been credited at their principal amount against the mandatory redemption instalment of U.S.\$17,330,000 in principal emount of the Notes due on 3rd July, 1989) and that the following Notes, identified by serial number, have been drawn by Orion Royal Bank Limited as Principal Paying Agent on behalf of The Law Debenture Trust Corporation p.l.c., the Trustee for the holders of the Notes, for redemption on

such date:-	-					
8 .	4580	6004	8017	10328 10485	11947	13320
2137	4591	6053	8037	10485	11981	13361
2144	4603	6188	8051	10528	11984	13511
2230	4630	6204	8822	10566	12011	13534
2249	4649 4555	6254	8874	10689	12045	13554
2261	4555	6478	8900 8970	10742	12063	13582
2286	4663	6501	8970	10769	12070	13613
2335	4743	6522	9079	10770	12175	13641
2503	4745	6579	9103	10861	12311	13649
2335 2503 2518	4770	6581	9119	10925	12340	13699
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2934	5137	6997	9487	11161	12550	14012 14017
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3275	5167	7184	9661	11264	12007 1279E	14085
3403	5248	7231	9725		12769	14111
3431	5278	7304	9726	11300 11323	12798	14112
3479	5363	7382	9773	11323	12806	14142
3502	5368	7403	9779	11373 11427	12820	14152
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3612	\$529	7725	10094	11576 11641	13039	14433
3629	5538 5550	7829		11715	13035	14446
3842 4503	5550 5050	7908	10105	11736	13141	14453
4503	5628	7930	10191	11737	13165	14487
4505	5652	7947	10240	11897	13170	14495
4534	5976	7969	10321	1103/	13170	1-2-03
ACAA						

Notes not listed above are not affected by this redemption.

The Notes specified above should be presented and surrendered on 3rd July, 1989 for redemption together with all unmatured coupons at the specified office of any of the Paying Agents listed below. On such presentation and surrender payment of the full principal amount of such Notes will be made by U.S. Dollar cheque drawn on a New York City bank or by transfer to a U.S. Dollar Account maintained by the payee with a New York City bank.

Coupons due for payment on 3rd July, 1989 should be detached before presentation and surrender of the Notes specified above and presented for payment in the usual manner.

PAYING AGENTS Orion Royal Bank Limited

71 Queen Victoria Street, London EC4V 4DE, England The Royal Bank of Canada (France) S.A. 3 Rue Scribe,

75440 Paris, France The Royal Bank of Canada (Belgium) S.A., Rue de Ligne 1, B-1000 Bruxelles. Belgium

The Royal Bank of Canada (Suisse), Rue Diday 6, 1204 Geneva. Switzerland The Royal Bank of Canada A.G., Gutleutstrasse 85, D-6000 Frankfurt/Main. Federal Republic of Germany

Kredietbank S.A. Luxembourge 43 Boulevard Royal, 2955 Luxembourg

Paying Agent as to Principal only: First Interstate Trust Company of New York 2 Broadway, 29th Floor New York, NY 10004

Interest shall cease to accrue on the Notes specified above with effect from and including 3rd July, 1989 and all Coupons (whether or not attached to such Notes) relating to any interest payment date falling due after 3rd July, 1989 shall thereupon become void.

Credit for Exports PLC and

The Law Debenture Trust Corporation p.l.c., Trustee

ORION ROYAL BANK LIMITED A member of The Royal Bank of Canada Group

PRINCIPAL PAYING AGENT A member of The Securities Association

Payments of principal made upon surrender of the Notes specified above at the office of the Paying Agent in the United States of America and payments of principal or interest made upon surrender of Notes or Coupons outside the United States of America but by transfer to an account maintained by the payee with an office of the payor within the United States of America may be subject to certain information reporting requirements and to a United States of America back up withholding tax unless holders certify that they are not U.S. persons (as defined in the United States Internal Revenue Code) and, in the case of payments of principal, as to certain other factual metters.



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J.P. Morgan & Co. Incorporated

DM 400,000,000

Floating Rate Subordinated Notes of 1985/1995 - Stock Index No. 476 966 -

In accordance with § 2 (9) of the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 7%% p.a. for the Interest Period May 30, 1989 to August 30, 1989 (92 days). Interest accrued for this Interest Period and payable on August 30, 1989 will amount to DM :38.47 per DM 10,000 Note and DM 4,711.81 per DM 250,000 Note.

May 1989

Interest Determination Bank: J.P. Morgan GmbH Frankfurt am Main

U.S. \$125,000,000

European American Bancorp (Incorporated in the State of New York, U.S.A.)

Floating Rate Notes Due 1992

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the three months from 30th May 1989 to 30th August 1989 the Notes will carry an interest rate of 91 1/16% per annum. On 30th August 1989, interest of U.S.\$247.57 will be due per U.S.\$10,000 Note for Coupon No. 15.

EBC Amro Bank Limited (Agent Benk)

30th May 1989

I.G INDEX LTD. 9-11 GROSVENOR GARDENS, LONDON SW1W OBD Tel: 01-828 7233/5699 An AFBD member Reuters Code: IGIN, IGIO FT 30 FTSE 100 WALL STREET

May, 1775/1784 +3 May, 2135/2145 +2 Jun. 2494/2506 +7

Jun. 1783/1792 +1 Jun. 2145/2155 +1 Sep. 2529/2541 +8

Prices taken at 5pm and change is from previous close at 9pm

UK COMPANY NEWS

Jeremy Bond backs the revised bid for Ketson

Mr JEREMY BOND, the deputy chairman of Ketson, has decided to favour the hostile consortium bid for the public relations and marketing group. The consortium has also altered the terms of its offer after discussions with Ketson

shareholders. City and Westminster Financial, a private merchant bank and investment group, Broad Street Group, the USM advertising, marketing and PR com-pany, and Summer International, the training and education group, will now sub-scribe for 3.33m of the new shares in Moneytab, the company being set up for the bid, at 150 each.

The consortium is investing Widney selling loss-maker

for over £1m Widney, general engineer, saw its profit slide from £319,000 to £24,000 in the half year ended March 31 1989, but that included £177,000 losses of Francis and Lewis, which is

Continuing activities contributed \$210,000, an "encouraging improvement" after the disappointing second half of last year. Order book for the current half year had already

substantially exceeded total sales for the opening period.

The sale of Francis and Lewis, for £1.08m plus some £125,000 stock at valuation, will improve profitability and liquidity, and free senior management to spend more time on internally generated growth. The purchaser is Mr Archie Stevenson, its present managing director.

Group turnover in the half year rose to £10m (£8.43m). Earnings were nil (2.2p) while the interim dividend is held at

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: British Assets Trust Index-Linked 2005 (Section: Investment Trusts). CSR Limited (Industrials).

Enterprise Finance Units (Reg) (Oil & Gas).
Fleming High Income
Investment Trust (Investment

end of 1988.

Quiligotti (Buildings). Try Group (Buildings).

the same amount - £500,000 - but Ketson shareholders who accept the offer and the ensuing rights issue, also at 15p a share, will be left with 86.7 per cent of the new company, as opposed to 70.3 per cent under the previous proposals.

in a letter to Ketson share-holders distributed by the con-sortium, Mr Bond said he had taken independent financial advice and decided that the consortium's revised offer was 'significantly more attractive than the refinancing package proposed by the company".

Ketson, which is advised by
Morgan Grenfell, will ask
shareholders to oust Mr Bond from the board at today's extraordinary meeeting called

to approve the radical restruct uring of the group's finances. Mr Bond is the founder, former chairman and chief execu-tive of Moorgate, the group's financial PR subsidiary which has been at the root of Ketson's financial problems. He is also the largest shareholder in Ketson with a 12.14 per cent

The consortium, advised by City and Westminster, is offering Ketson shareholders one new Moneytab share for each

existing Ketson share.

Moorgate and IETC, Ketson's training company, would be sold to Broad Street and Summer respectively, and £1m would be raised through the

£969.000 (£1.48m) and invest-ment income came to £1.35m (£2.54m). Interest charges rose

Results included Associated

Fisheries as a subsidiary for 15 months (seven months) and

East African Coffee Plantations

as an associate for six months

There was an extraordinary profit of £3.92m (£3.4m).

(subsidiary for six months).

Kelsey nears

to £2m (£1,21m).

Eastern Produce ahead

AN INCREASE of £886,000 to £8.14m in pre-tax profit was achieved by Eastern Produce (Holdings) in 1988. The dividend is lifted 1p to 11p, with a

final of 8.5p.

The group runs plantations, and is engaged in engineering and fishing. Turnover jumped to £163.67m (£93.14m) and operating profit to £7.82m (£4.45m). Associates' contribution was

REA terms for Wigglesworth

REA Holdings, the commodity trader, announced details of its £3.75m recommended offer for Wigglesworth, a natural-fibres trading company with interests in Africa. The cash terms are funded in part with a £2.52m issue of shares, underwritten

For every 105 Wigglesworth ordinary. REA bids 400 shares, or £840 in cash, loan notes or convertible loan stock. For every 42 deferred units, the offer is 100 shares, or £210 in cash, notes or convertibles.

which is also an engineer and roofing and insulation contrac-£18.12m (£16.76m).

Juliana's receives bid approach

International investors in commercial property

Extracts from the Statement by the Chairman, Harry Axton

I am pleased to report that the Group has had another excellent

year with substantial increases in terms of both profit and net asset value.

per share, which increased from 302p at the end of 1987 to 478p at the

expected to be worth around £300 million.

ability to make further progress.99

☐ 58.3% increase in net assets to

22.4% increase in profit before tax

☐ Proposed final dividend of 6.25p

per ordinary share making an

increase of 25.0% for the year.

☐ Value of investment properties -

Capitalisation issue of 1 for 1

£393 million.

to £16,157,000.

£589 million.

proposed.

Particularly encouraging is the rise of 58.3% in the net asset value

Our development programme which, when completed and let, is

We enter 1989 from a position of strength and I am confident of our

Holdings, the disco and hospitality services group, climbed by 16p to 83p on Friday, when the company announced it had

£1.4m midway Kelsey Industries, the

Hertfordshire-based maker of solder and audio and video accessories, lifted pre-tax profits nearly 15 per cent from £1.18m to £1.35m in the six months to March 31. Turnover for the company,

tor, advanced by 8 per cent to An interim dividend of 4.125p (3.75p) is being paid from earnings per share of 22.9p (18.3p).

By John Thornhill

The share price of Juliana's received an approach which might, or might not, lead to an offer being made. At Friday's closing price, Juliana's market value was

The founders of the business Mr Oliver Vaughan, chief exec-utive, and his brother and fel-low director, Mr Tom Vaughan, between them own over 50 per

cent of the company's equity.

Last month, Juliana's reported 1988 pre-tax profits increased from £1.43m to £1.76m, on turnover of £11.85m

Wembley expands via £15.5m acquisition

By Philip Coggan

WEMBLEY, the property and leisure group which owns the eponymous stadium, is buying Meridian Holdings, an interior contracting group, for a maximum of £15.5m.

Meridian is the holding com pany for the Styles and Wood group of businesses which are group of outsinesses which are involved in the refit of sports arenas, project manage-ment, specialist joinery manu-facturing and interior con-

Meridian's pre-tax profits for the year to March 31 1989 are estimated at £1.4m on turnover of £35m. The consideration, which is payable in cash, is based on a multiple of

eight times earnings.

The initial consideration is based on the lower of the earnings for the years 1968-89 and 1989-90 and further payments will be made based on the years 1989-90 to 1991-92.

Yale and Valor to dispose of cooker division

By John Ridding Yale and Valor, the locks and domestic appliances group, is to sell its cooker division to Stoves, a newly-formed management company in return for a 20 per cent stake in the

new set-up. The manas prises Mr John Crathorne, formerly chief executive of Thorn EMT's domestic appliance divi-sion, and includes two members of Valor Cooker's existing management. They will contribute around £10m in investment for the project which has been raised by Candover

The sale, which comprises Yale and Valor's Rainhill cooker factory, reflects the group's focus on core busi-

Mr Anthony Marson, finance director, said Yale and Valor was not principally involved in white goods although the potential of the new company and its management prompted them to retain a 20 per cent stake.

Each of the two companies will be responsible for its own consumer relations, sales marketing and design functions. During an initial period, how-ever, there will be some com-

OFT to investigate SIS link with Racecourse Association

By John Ridding

SATELLITE Information Services, which provides live television racing coverage to bookmakers, yesterday con-firmed that its link with the Racecourse Association is to be investigated by the Office of Fair Trading.

Mr Jeramy Bridge, finance director, said the company's solicitors had been approached at the end of last week. He declined to give details of the investigation but it is expected to centre on clauses in the confidential RCA-SIS agreement concerning the terms on which new entrants are allowed to

British Aerospace is currently examining barriers to entry.
Under its agreement with
the RCA which was reached in

broadcast race meetings.
A consortium headed by attempting to enter the market and the OFT is reportedly

October 1987, and which was examined at the time by the OFT, SIS undertook to pay a £25m fee over five years in return for the right to broadcast certain race meetings to bookmakers' premises.

Additional payments depend on the number of chemis which take the service. Currently, an

estimated 10,000 bookmakers

receive the live broadcasts.

Mr Bridge said there were considerable start up costs and only recently has the company broken even. He said while the agreement with the RCA was on a non-exclusive basis, SIS would obviously be disappointed if new entrants were encouraged at a lower cost. The holding companies of the large bookmaking chains

distributor

Eadle Holdings, the transport equipment and wire products group, is to acquire Cambria (Wheels Division), a stock-holder and distributor of truck

holder and distributor of truck wheels, for a maximum of 58m. Cambria, based in Cardiff, also supplies specialist wheels for agricultural, earth-moving and industrial users. In the year to February 28, it reported pastax profits of £965,463 on sales of £7.05m. The acquisition marks a further step in Eadie's strategy of abandoning its traditional high volume, low margin products in favour of a move into higher value added

By John Ridding

currently own over 60 per cent of SIS. However, following a private share placing, currently underway, this will be reduced to around 45 per cent

Isopad profit rises 25% Eadie to buy truck wheels

ISOPAD International lifted pre-tax profit by 25 per cent from £2m to £2.5m for the year ended January 31 1999, its first full year on the main market. The group makes tempera-ture control equipment for

Although trading conditions remained difficult, mainly because of over production by

other makers of lowest priced tapes, Isopad was not seriously affected.

Bulk of group sales related to higher value-added applica-tions of its products in engineering systems. Turnover rose to £13.32m (£12.7m). Earnings came to 14.2p (12.5p) and a final dividend of 3.5p makes a total of 5p.

COMPANY NEWS IN BRIEF

BRITISH AND American Film Holdings: For 1988 pre-tax profit was £715,000 (£620,000), of which the holding company scored £628,000 (£527,000). Group earnings were 19.58p (16.41p) and the final dividend is 5.05p, to make 7.425p (6.625p). Net asset value per share, excluding film rights, was 580.7p at December 31 (489.3p) and increased to 724.3p at April

SCOTTISH Investment Trust: Net asset value per 25p share at April 30 stood at 185.8p (166.5p at October 31 1988). Available income for the six months to end April tofalled \$4.01m (\$2.9m). Earnings were 1.58p (1.14p) and the interim dividend 1.15n (1n)

dividend 1.15p (1p).
THORNTON (GW) Holdings,
USM-quoted precision engineer
and forgings maker: turnover

for half year ended March 31 1989 was £10.11m (£6.68m) and pre-tax profit £721,000 (£615,000). Earnings 7p (6.7p) and interim dividend 2p on increased capital (1.75p). TR PROPERTY Investment

Trust: Total income £9.23m for year ended March 31 1989 (£5.42m) and net taxed revenue £4.34m (£2.68m). Barnings 1.67p (1.03p) and final dividend 0.55p to make 1.2p (0.6p). Net asset value per share 65.76p (54.93p). WARNER ESTATES: For six months ended March 31 1989 turnover was £4.1m (£6.34m) and pre-tax profit £8.02m (£2.39m). Interim dividend 2.5p (2p). Rental income expected to increase from rent reviews, lease renewals, and new properties. Sales of surplus dwellings produced net taxed surplus of £2.08mi (£2.08m).

BOARD R	
The following companies have notified dates	
of board meetings to the Stock Exchange. Such meetings are usually held for the pur-	
cose of considering dividends. Official indica- ions are not available as to whether the	1
Svidends are interious or finals and the sub- sivisions shown below are based mainly on	
ant year's timetables.	

EETINGS	
DreHordein	June
Sovett Atlantic	Juny :
ilver Plate & General	June 1
/ensersport Gold Mining	Juni
Parale-	June
From (N)	June
Great Portland Estates	June 1
yone eriet formier Brigin	100
Horice & Create	June .

Robert Fleming Netherlands B.V. Primary Capital Undated

Guaranteed Floating Rate Notes guaranteed by

U.S. \$100,000,000

Robert Fleming Holdings Limited

Interest Period

101/16% per annum 30th May 1989

Interest Amount due

30th November 1989

30th November 1989 per U.S. \$10,000 Note per U.S. \$50,000 Note

U.S.\$ 514.31 U.S. \$2,571.55

Credit Suisse First Boston Limited Agent Bank

Lloyds Eurofinance N.V.

£200,000,000 Gucrunteed Ficeting Rote
Notes due 1996
For the three months May 26, 1989 to August 25, 1989 the Notes will carry an interest rate of 14% p.a. with a Coupon Amount of £174.52 in respect of £5,000 nominal of the Notes and £872.60 in respect of £25,000 nominal of the Notes payable on August 25, 1989. nk, N.A. (CSST Dept) m, Agent Bank

Second Series Floating Repackaged Assets of the Republic of Italy due 1993 F.E.R.A.R.I. II Usdol 330,000,000,-

For the period from May 30, 1989 to August 30, 1989 the notes will carry an interest rate of 9½% per annum with an interest amount of USdol 2.507,64 per USdol 100,000 note.

The relevant interest payment date will be August 30, 1989. Banque Paribas Luxembourg Agent Bank

TRIPS LIMITED Series A U.S.\$23,000,000 Secured Floating Rate Notes due 1992 Interest Rate 9 7375% p.a. interest Pariod May 30, 1969 – November 30, 1969, Interest gradio per U.S.St. 200,000 Note U.S.\$49,796.4

LAVORO BANK **OVERSEAS N.V.** (incorporated with limited liability in the Netherlands Antilles)

¥6,300,000,000 Floating Rate Guaranteed Notes

due 1993 Unconditionally and irrevocably guaranteed as to payment of principal and interest by

BANCA NAZIONALE DEL LAVORO (Incorporated as an Istituto di Credito di Dinito Pubblico in the Republic of Italy)

Notice is hereby given that the Rate of Interest for the Interest Period from 29th May, 1989 to 29th November, 1989 is 5.15% per annum. Interest payable on 29th November, 1969-will amount to ¥2,596,164 per ¥100,000,000 principal amount of the Notes.

Agent Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo

Government Secs. ... Fixed interest ...

Gold Mines FT-Act All Share

Hawtal cuts loss despite shortfall in volume

HAWTAL Whiting Holdings showed an improvement in 1988 but still incurred a loss of £1.22m. The dividend is limited to 0.1p, against 4p previously.

Mr John Whitecross, chairman of this motor industry design and engineering consul-tancy, said the result was dis-appointing. Following the optimistic outlook forecast in the interim statement, the group failed to maintain its increased

activity.

The shortfall in volume, experienced since the latter part of 1987, continued with the unforeseen slippage of two major programmes into 1989. Turnover was slightly shead at £80.88m (£80.05m) and at the

operating level the group almost reached break-even, cutting the loss from from £982,000 to £11,000. Interest charges, however, were up to £355,000 (£550,000), reflecting monies borrowed for the refurbishment of the new head office at Basildon, Essex nesd office at sasilion, ESSEX, and there was an exceptional charge this time of £276,000. That left the loss at £1.22m (£1.53m) pre-tax, and £1.07m (£1.66m) at the attributable level envel to losses of 14 fm.

(£1.66m) at the attributable level equal to losses of 14.6p (23p) per share.
On the outlook, Mr Whitecross said he looked for a much improved performance in 1989, as 85 per cent of the projected by the same was a second business was now secured. Efforts to diversify the cus-

tomer hase were bearing fruit. This year 40 per cent of business in the UK was expected to come from countries other than the US, mainly in Europe and south-east Asia; that was equivalent to 24 per cent of the worldwide business, compared to 13 per cent last year.

¥6,000,000,000

gn products in layour of a move into higher value added light engineering products. Initial consideration of \$5.48m will be raised through a vendor rights issue of 9.5m ordinary shares. They will be offered to existing shareholders at \$20 on a one-for-two

ers at 62p on a one-for-two

Floating Rate Depositary Receipts

Due 1993 ested by the Law Debenture Trust Corporation p.L.c.
Trust Corporation p.L.c.
evidencing entitlement to
payment of principal and
itensit in respect of deposits
with

ISTITUTO BANCARIO **SAN PAOLO** DI TORINO

(incorporated in the Republic of Italy as a Credit Institution of Public Law) London Branch

Notice is hereby given that the Rate of interest for the interest Period from 26th May, 1989 to 26th November, 1989 is 5.15% per antism. Interest payable on 27th
November, 1989 will amount
to ¥2,996,164, per
¥100,000,000 principal amount
of the Notes.

Agenf Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo

Interest Rate

C. ITOH FINANCE (EUROPE) PLC (Incorporated in England ander the Companies Acts 1948 to 1983)

¥5,500,000,000 Guaranteed Floating Rate Notes Due 1993 Unconditionally and irrevocably guaranteed as a payment of principal and

-C. HOH & CO., LTD. (incorporated with limited

liability in Japan) Notice is hereby given that the Rate of Interest for the Interest M 2003, CEO 30th November, 1989 is 5.08% per amount. Interest payable on 30th ovember, 1989 will amoun to ¥2,560,877 per

¥100,000,000 principal ar Agent Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo

US. \$600,000,000



Commonwealth of Australia

Floating Rate Notes Due 1998 97/16% per annum

Interest Period -30th May 1989 30th November 1989 Interest Amount due 30th November 1989 per U.S. \$ 10,000 Note

U.S.\$ 482.36 per U.S. \$500,000 Note U.S. \$24,118.06

Credit Suisse First Boston Limited

Agent Bank

BANQUE PARIBAS

US\$ 100,000,000

Tranche A Bonds bearing interest at 10% per annua

Tranche B Bonds bearing interest at 8% per annua

The Bonds will be payable at the citical of BANQUE PARIBAS LLIXENBOUNG

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	- FIN	ANCIA	LTIME	S STO	CK IND	HCES	<u></u>		
May 26	May 25	May 24	May 23	May 22	May 1	19	189	Since Con	milatios
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96,91 1778.8	96.87 1777.3	-96.89	97.33	97.30	97.31	99.59	85.84 95.93	127.4 105.4	49.18 50.53
171.2	170.4	1774.0	1787.A 168.6	1803.6 166.3	1837.5	1837.5	1447.8	1926.2	49.4
1103.81	1100.44	1097.76			168.8	196.1	154.7	734.7	43.5
2140.3	2136.6	2132:7	2151.6	2169.0	2204.7	1131 41 2204.7	921.22 1782.8	1238.57	6)_92
		٠.					1,02.8	2443.4	986,9

HIGHLIGHTS OF 1988 The Annual General Meeting of the Company will be held in London on 27th June 1989. If you would like a copy of the Annual Report and Accounts 1988, complete this coupon and send it to The Secretary, Brixton Estate plc, 22-24 Ely Place, London EC1N 6TQ. PT 30/5

Shortfall in volume

Hawtal of FINANCIAL TIMES



Cairo's readmission to the Arab League after 10 years has been a diplomatic triumph for President

Hosni Mubarak. But, as Andrew Gowers writes, the President will be keeping an eye on its impact at home, where he has been walking a political and economic tightrope

Back into the Arab fold

modicum of predictability, President Mohammed Hosni Muharak of Egypt made history last week by representing his country at a summit meeting of Arab leaders for the first time. His presence in the Moroccan port of Casabianca symbolised the formal conclusion of a chapter which had all but ended several years ago: the attempt by other Arab states to ostracise Egypt over its peace treaty with Israel. But. Cairo's readmission to the Arab League, an organisation it once dominated and then derided, was more than a formality. In notching up his latest diplomatic success, Mr Muharak will also have had an eye to its impact at home, where he has been performing a political and economic balancing

President Mubarak has steered Egypt back to a position of real weight in a variety of fora, from the Non-Aligned Movement to the Organisation of **African Unity**

\$ 34 B

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- - -

act that becomes more delicate by the month. Egypt's political estab-lishment, while freer to speak and write than at any time in recent memory is confused and frag-mented; its populace seems more than usually alignated from the sys-tem; more important, its financial; circumstances have dramatically worsested in the past year, and the Government's attempts at economic

reform still seem faltering at best. This combination of political drift and economic deterioration gives Egyptian political pundits a sense of impending crisis that was not apparent even a year ago; and even in some cases a fear that conditions could become politically combustible, with economic hardship providing a potential spark.

In the circumstances, it is scarcely surprising that the Govern-ment attaches such singular importance to securing diplomatic gains
— in the hope that an enhanced
standing abroad will help to offset
its difficulties at home. "Given the intensity of our domestic problems the question is whether external success can help us get through our economic situation," says Mr Tah-sin Bashir, a senior diplomat and

shrewd observer of the local scene. This is not in any way to belittle Mr Mubarak's diplomatic achievements in the eight years since he took the helm after the assassination of President Anwar Sadat. By dint of persistence and a great deal of tact, the President and his For-eign Minister of the last four years, Dr Esmat Abdel-Meguid, have steered Egypt back to a position of real weight in a variety of fora, from the Organisation of African

Unity (Egypt becomes chairman in July) to the Non-Aligned Movement. An impressive procession of Arab leaders has been through Cairo in recent months, and President Muharak has demonstrated his support for a key Arab cause by closely co-ordinating policy with Mr Yassir

Arafat, the Palestine Liberation Organisation leader. Mr Mubarak has normalised relations with the Soviet Union, maintained the 10-year-old peace (albeit a cold one) with Israel, and nurtured Egypt's close ties with the US. Once again, it is being said with confidence in caino that Egypt is uniquely placed to play a central role in the clusive Middle East peace process, as the only Arab country on speaking terms with other Arab states and with Level 'The matcht it is being with Israel. The weight it is being accorded was graphically under-lined earlier this year, when Mr Eduard Shevardnadze, the Soviet Foreign Minister, met both his Israeli counterpart, Mr Moshe Arens, and Mr Arafat during a visit

to Cairo Set all this against Egypt's economic troubles, however, and you begin to see the limits to what can be achieved through diplomacy. What the world saw last week in Casablanca was a weakened Egypt joining a much weakened Arab League; in the light of the Arab world's fatigue after the Gulf war and Arab regimes' fears over the Palestinian unrising in the Israeli-occupied territories, the two parties need each other, perhaps as never

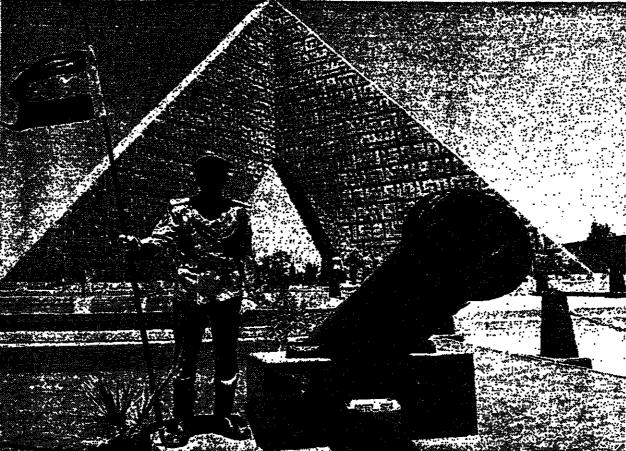
Moreover, Egypt's straitened economic circumstances - in particular its dependence on US and other financial assistance and its crip-pling foreign debt—are bound to constrain its ability to carve out a strong or independent foreign pol-icy. Its characteristic diplomatic nestors these day involves lending support to the initiatives of others: plugging away at the theme of mod-eration, seeking to ture the US into a high-profile effort at Middle East peace-making or to prod the PLO into further clarifying its position.

At the same time, President Mubarak constantly reminds his Western interlocutors that the maintenance of moderation comes with a price: continuing financial assistance to ensure political stability. Dr Mohammed Abdellah, chairman of the Foreign Affairs Commit-tee of the People's Assembly and a confident of Mr Mubarak, describes this process as "using the international weight of Egypt to serve the country's economic purpose ... We say to the international community: do you want peace in this area? If the answer is yes, you have to help us assume this role."

Every time he presents his politi-"cost-benefit analysis" to Western governments these days, Mr Mubarak finds himself confronted with sympathetic but increasingly frustrated complaints about his country's performance in servicing its foreign debt or about the slow pace of economic reform.

Of necessity, then, the President's main preoccupation remains the economy. And here, the problems have been crowding in on him thick and fast in the past year. They

Rising inflation, estimated officially at 25 per cent and unofficially within the Government at between per cent and 35 per cent Although the Government has maintained its guaranteed supplies of staple foodstuffs at highly-subsi-dised prices, the population's living



ruler whose treaty with israel led to Egypt's ostracism in the Arab world

standards have probably been sig-nificantly eroded in the past two years. Especially hard hit are the vast numbers of poorly-paid public sector employees.

■ Rapidly increasing unemployment. This is impossible to assess with any degree of precision, given the large size of the black economy. But senior Government officials reckon that between 20 per cent and 22 per cent of the workforce may now be jobless. The figure is bound to rise further since Rgypt's spirall-ing population brings an estimated 450,000 new job-seekers on to the market every year. Already, a queue of several million graduates has built up for supposedly guaran-teed jobs in the public sector.

A financial squeeze which became

increasingly severe last year and which is now close to crisis-point Once again, Egypt has been building up heavy arrears on its \$43bn foreign debt, and these are likely to grow further in the absence of another Paris Club rescheduling. Its access to new inter-governmental let alone commercial, credit is almost completely blocked. Creditor countries are attaching conditions even to soft loans for the purchase of vital commodities like wheat; foreign exchange reserves are as low as they have ever been.

again, as a result of increased international commodity prices, sagging remittances from Egyptian workers

Cairo recognises it will have to strike another deal with the IMF on terms almost certainly stiffer than it will find comfortable, probably by the end of this year

abroad and patchy oil revenues. The current account deficit was cut to "only" \$544m in the last fiscal year, thanks mainly to a drastic reining in of imports. But that did not include overdue debt payments, which would have inflated the deficit considerably. And Dr Yousri Moustapha, the Economy Minister, believes the deficit will show renewed slippage in the current year, ending June 30, perhaps reaching \$700m.

Moreover, capital flight is believed to be continuing, contribut-ing to a further slide in the value of the Egyptian pound and starving the country of investment. The collapse of a number of so-called Islamic investment houses in Egypt last year — in which tens of thou-sands of ordinary Egyptians stand to lose their savings — is said to have shattered what confidence was left in the economy. Remittances from workers in the Gulf and elsewhere, the country's main source of

foreign exchange earnings, appear to have fallen sharply as a result. Egypt is, of course, no stranger to debt service problems, but there is reason to believe that the issue will be brought to a head later this year over the question of the \$4.6bn military debt to the US. In the absence of a second Paris Club rescheduling, Cairo has to find increasing amounts of extra money every month from July to resume pay ments on this debt, service of which will cost more than \$500m in fiscal 1989-90. If it does not, it risks trig-gering a cut-off of US financial

Cairo now recognises it will have to strike another deal with the International Monetary Fund on terms almost certainly stiffer than it will find comfortable, probably by the end of this year. The breathing space the Government has until it does so is bound to be constricted, but ministers reckon that they can hold out at least until October.
Although the situation is only

now becoming critical, the rot in fact set in as early as 1987 with the collapse of a previous Economic Stabilisation Programme agreed with the IMF. Within only a few months of the signing of that accord, and of a May 1987 Paris Club agreement to reschedule \$6.5bn of its debt, Egypt started backsliding on its reform commitments. Partly as a result, the expected wave of new credit from the international community did not pour in and by last year relations between the two sides had reached a fresh nadir, with President Mubarak indulging in petulant attacks on the Fund as a "quack

doctor. The rhetoric has now died away. and serious bargaining has begun again between Egypt and Fund representatives over a timetable for economic reform. President Muharak has nudged the process along with a number of policy adjustments - a jump in subsidised energy prices here, a modest rise in interest rates there, a promise of new measures to promote invest-

ment in the near future. But as the negotiations enter a decisive phase, there is still a sense that Egypt is running to stand still. The IMF, now at least twice bitten and thrice shy in its dealings with Egypt, is determined to avoid a rerun of 1987; the Egyptian authori-ties are equally determined to pre-vent something worse, namely the sort of violent protests which they fear could be unleashed by any

abrupt move on the economy. Meanwhile, Western officials continue to puzzle over the more fundamental question of how to draw the Government into the sort of sustained, rather than piecemeal, process of reform without which the country will simply muddle along from one crisis to another for the

foreseeable future Egyptian officials understand why the IMF is maintaining a tough line. After all, the terms of the collapsed 1987 standby credit were among the most lenient ever agreed among the most lenient ever agreed with a debtor country. "We have a saying in Arabic: he who gets scalded by the soup is likely to blow on the yoghurt," said one Government adviser. "The trouble is that the IMF could easily get scalded again because what we are offering again because what we are offering is another soup.

But it goes deeper than that. In its report on the failure of the 1987 programme, the Fund warned that gypt would continue to face severe payments problems well into the 1990s - even if it agreed to the pace of reform being suggested. This is not very encouraging for those who believe the international community can and should do more than

Nevertheless, the omens for an eventual deal this year are not bad. In recent weeks, the outlines of a possible compromise have begun to

Senior Egyptian officials and their Western counterparts are focusing their attention on possible measures to stimulate the supply side of the economy, in order to compensate for the shock which an accord might be expected to deal to the demand side. The US, as Egypt's main paymaster, now appears to accept that the West put insuffi-

The Government finds itself confronted with sympathetic but increasingly frustrated complaints about the country's slow pace of

clent effort into this aspect of

economic reform

reform in 1987. Discussions are still at the prelimmary stage, but the outcome may be an agreement to speed up disbursement of Western aid in return for specific measures to deregulate sectors of industry or agriculture, and to permit the proper function-ing of a capital market: not a comprehensive reform, but a start in dealing with the welter of official controls stifling the economy.

It is widely accepted in government circles that the key to revitalising economic activity lies in attracting back some of the Egyptian money - conservatively esti-mated at \$40bn - that has flowed abroad, or has not flowed home, over the decades since the late President Gamal Abdel Nasser national-ised the country's industry and banks. It is also acknowledged that doing so will require the Govern-

KEY FACTS

Area: 997,738 sa km Mohammed Hosni Mubarak Life expectancy at birth (1986): Birth rate per 1,000 popula

1965: 43%; 1986: 34% Population per doctor: 1965: 2,300; 1986: 760 % of 11-18 year-olds in condary education: 1965: 26%; 1986 62% GDP at market prices:

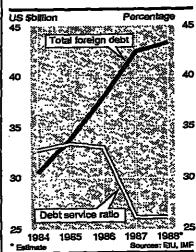
2E61,362m (1988) Real growth in GDP: 2.7% (1988) Average annual growth in GDP (1984-88): 3% GDP per capita: \$1,240 Inflation: 25% (1988) Average annual inflation (1980-87): 16.3% Currency: Egyptian pound (SE) Average annual exchange rates (1988): Official rate: \$= £E0.7

Secondary rate: \$= £E2.2129; $\Sigma = 3.9421$ Current exchange rate: \$=2.5586; £=4.0440 (May 1989) Merchandise exports:

\$3,050m (1988) of which crude petroleum 41.7% refined petroleum 15.7% cotton 14.4% Average annual growth rate in export volume 1980-86: 7.4%

erchandise imports: \$8,020m (1988) verage annual growth rate in port volume 1980-86: 5.2%

Trade balance as % of GDP: -18.8% (1988) Petroleum 850,000 b/d (Sept 1988) Current account bai -\$554m (FY87/86) Current account be GDP: -3.4% (1988)



Reserves exc. gold: \$1,025m (1988) Stock of debt: \$40,369 Debt service: \$1,927m Debt service ratio: 12.7% Total debt as % of GNP: 117.6% All data 1987 unless stated

ment to take decisive steps to boost business confidence, involving some

form of deregulation. The problem lies in translating this general awareness into a precise course of action — the more so since any effective remedies are likely to strike at the core of Egypt's unwieldy centralised sys-tem of economic management. It all seems something of a tall order, raising a number of overtly political

First, does President Mubarak have the requisite authority, determination and competent support to carry such a programme through? Second, how does he sell it to a population that is by turns deeply divided and apathetic without provoking riots or another type of challenge to the system? As might be expected, the answers to these questions are far from easy.

As far as authority is concerned, the normally timid Mr Mubarak has recently been asserting himself in unaccustomed fashion. In April, he summarily removed Field Marshal Abdel Halim Abu Ghazala, the powerful Defence Minister who was widely seen as his main rival, and placed him in the "non-job" of consultant to the President. The reasons for the move remain something of a mystery. One theory attributes it to Mr Mubarak's embarrassment over Mr Abu Ghazala's alleged role in an Egyptian plot to smuggle high-tech materials for missile construction from the US; another to a desire to curb military expenditure, a task for which Mr Abu Ghazala's successor, Mr Youssef Abu Taaleb, a former governor of Cairo with a reputation for

efficiency, would be well suited. Whatever the motive, the important fact is that the transfer was apparently accomplished without ructions in the armed forces - still the ultimate guarantors of the regime - and that it leaves Mr Mubarak in undisputed control of

the Government.

Nor can there be said to exist an organised alternative outside the regime. The opposition left is in almost total disarray, and the reli-gious right divided between the semi-legitimate Moslem Brotherhood and a proliferation of extra-parliamentary groups which are currently on the receiving end of a serious crackdown by Gen Zaki Badr, the tough-talking Interior Minister. Egyptian experts reckon that the Islamic trend, while still influential, has suffered a number of setbacks in recent months - not least the collapse of the investment houses that had been operating in the name of Islam.

It is a token of Mr Mubarak's confidence that he has shown no sign of retreating from his commitment to a form of pluralism. Egyptian intellectuals say that freedom of the press and of expression is now greater than at any time since the Free Officers' coup of 1952. While many of them regret that this is not accompanied by freedom to organise, or a genuine broadening of political participation from the lacklustre National Democratic Party, the regime's relative liberalism does provide an important safety valve for discontent.

What is still not clear, after eight years of his rule, is precisely what, if anything, Mr Mubarak aims to do with his power. The President is by nature a cautious consensusbuilder. His Government is a broad church that contains a range of opinion from free-market enthusiasts to old-school corporatists. The two strains co-exist uneasily.

The educated public appears to realise that the present situation is not sustainable indefinitely, but people have no clear idea what should replace it, and they fear the unknown. They perceive the bureaucracy's shortcomings, but would fiercely resist any attempt to tamper with an institution which Egyptians still regard as a vital part of the social compact between them

Egypt's political establishment, while freer than at any time in recent memory, is confused and fragmented; its populace seems more than usually alienated from the system

and their rulers. As Mr Mikhail Gorbachev has discovered, perestroika is by definition divisive.

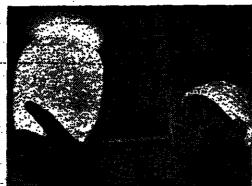
The real danger, of course, is that economic hardship will eventually provoke violent disturbances among those who have no stake in the sys-

"In Egyptian cities, you have a lumpen proletariat of young unem-ployed and new migrants from the countryside who are not incorporated into any sector of society," says Dr Saad Eddin Ibrahim, a political science professor at the American University of Cairo. "This is the social group that has been responsi-ble for riots in Algeria, Morocco, Venezuela and Egypt 12 years ago. The state could contain such a challenge, but the destruction it could cause and the danger of frequently calling in the army would be very dangerous for the stability and cred-

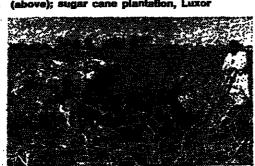
ibility of the regime." This is the fear that haunts even the most progressive-minded ministers, and reinforces the Govern-ment's in-built inertia. Although Egyptian society has proved resilient over the years, outsiders are chary of trying to second-guess the Government's calculations about its room for manoeuvre.

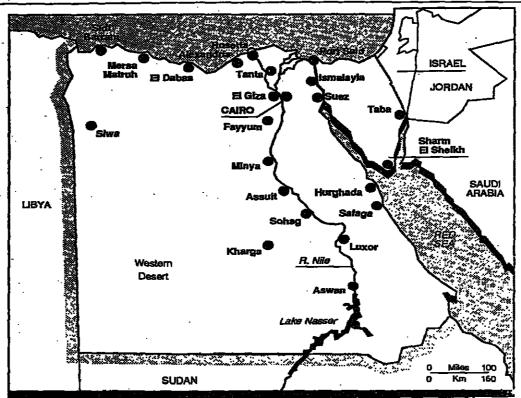
By exhortation and explanation. President Mubarak can at least claim to have propagated a general awareness among Egypt's political elite that a somewhat bolder approach is needed to address the short-term and much more serious medium-term challenges confronting the country: a population rising at the rate of 1m every seven months; deteriorating public services; and rapidly rising local con-sumption of energy which could mean it ceases to be a net oil exporter by the mid-1990s. It is not yet clear that he has the sense of purpose equal to the task.





Faces of industry: worker at a Cairo textile plant (left); craftsman making alabaster vase ve); sugar cane plantation, Luxor





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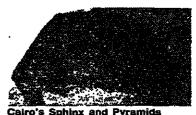
ENERGY

Pressure on the Government to find new oilfields as the prospect looms of Egypt becoming importer has prompted a flurry of

■ INDUSTRY

The few bright spots are overshadowed by other sectors' problems with foreign exchange and a stagnant domestic economy......

■ AGRICULTURE The question confronting planners is whether self sufficiency will ever be possible in a country



whose rate of population increase



Dr Esmat Abdel-Meguid. Egypt's Foreign Minister TOURISM

The good news in an otherwise fairly bleak financial picture is that revenues from tourism continue to be buoyant.....

MOTOR SECTOR GM's Egyptian truck-assembly operation and the Government have clinched an innovative foreign exchange deal....

A flurry of activity

IF THE number of agreements signed this year by foreign oil companies in Egypt is an indication, then oil and gas exploration is about to rebound strongly after being in the dol-

drums for several years. Since January 1, about 35 agreements have been initialled, with more to follow in the next few months as the Egyptian Petroleum Corporation (EGPC) seeks to clear a backlog of applications, some of which date from 1986.

A number of factors have contributed to the latest flurry of activity, including the appointment of a new chairman at EGPC, the unveiling of a gas clause offering additional incentives to explore for hydrocarbons and growing pressure on the government to find new oilfields as reserves are depleted and the prospect of becoming a net importer moves nearer.

If consumption goes on increasing at the present rate, and there are no large new finds, Egypt will be forced to import oil by early next cen-tury. It is an unpalatable prosct for a debt-burdened country which even now has trouble finding foreign exchange for essential imports

such as wheat. The lowering "horizon" on Egypt's oil self-sufficiency is an important factor in the calculations being made by for-eign oil companies seeking to take advantage of the new gas clause which for the first time formally clears the way for the

exploitation of gas deposits. Under the "take or pay" arrangement, companies will be compensated for gas utilised at a benchmark Mediterranean price for gas minus 15 per cent to cover infrastructure costs. The gas contracts specify that gas should be paid for either in cash or oil. As long as local oil production exceeds domestic demand, companies can be reasonably certain of getting paid. However, there are few illusions among foreign oil company representatives in Cairo about the likelihood of payment difficulties once Egypt becomes a net oil importer.

"Their ability to pay is the biggest question in everyone's minds," said a US oil company representative. "That and the absence until now of a gas clause is one of the things that have deterred people (from investing in the search for

Total Assets & Liabilities.....

Capital.....

Total Loans.....

Investments.....

Net Profits.....

1. Nile Co. for Agricultural Industries

3. Nile Co. for Reconstruction

2. Nile Co. for Printing and Packaging

6. Nile Co. for Metal Industries (SAMY) 7. Nile Co. for Fodders and Chickens

11. Cairo Investment & Development Co.

14. Nile Co. for Chemical Industries and

15. Nile Co. for Investment & Development

8. Nile Co. for Projects and Trade

average 20% share are:

9, Nile Co. for Tourism

12. Mansoura Poultry Co.

13. Cairo Radiology Centre

Modern Packaging

16. Nile Co. for Marketing

gas). If the day comes when consumption of oil in Egypt stops exports, then everyone's in trouble. On most gas projects you're going to have to look at getting it back quicker

Shell has been the most adventurous invester in the development of gas deposits; it signed the first "model" gas contract for its Bed-3 field in the Western Desert. But there are signs that Shell, which is committed to investing some \$600m in exploration and development for both oil and gas over the next few years, has decided to pull in its horns for now. Mr Tarek Heggy, chairman of Shell Winning, Royal Dutch Shell's Egyptian subsidiary, said he was looking three

Oil and gas exploration is about to rebound strongly after being in the doldrums for several years

or four years ahead when his company would be ready for

new commitments.

"Let us carry on and see some dollars first," he said. Most oil company representatives discount the possibility of large oil finds like Amoco's discoveries in the Gulf of Suez in the past several decades. But are confident there is more oil in the Western Desert, and possibly in the Sinai where Amoco has taken a lease on 19.000 sq km.

An Amoco executive said the company planned to drill two wells initially, and also to conduct seismic research. Esso drilled a couple of shallow wells in the Sinai in the 1940s, but there has been almost no activity since.

Oil company representatives say their latest negotiations with EGPC have been some of the toughest in their experience. They noted that Egypt was squeezing them harder than ever before on cost recov-ery terms and on share of profit oil. "It's a sign of the times. They are desperately short of cash," said an oil company representative.

So far, though, there has been no slackening of interest among foreign oil companies in new acreage. With the excep-

Authorised and paid up capital US\$40,000,000 fully

subscribed by Egyptian individuals. The Bank deals in

foreign currencies as well as Egyptian pounds.

BALANCE SHEET AS AT DECEMBER 31st, 1988

(in L.E.)

NB Dec 1987 US\$ = 187 P.T./June 1988 US\$ = 235 P.T.

THE NILE BANK COMPANIES

The Nile Bank Companies, with a total capital of 150.7m E. Pounds, in which the bank holds an

4. Nile Co. for Agricultural and Food Industries

5. Nile Co. for Manufacturing Building Materials

31/12/88

24,898,648

13,641,853

in US\$ 40,000,000

656,939,538 557,095,888

213,178,131 222,211,032

BANK BRANCHES

● EL HEGAZ BRANCH

SHOUBRA BRANCH

ALEXANDRIA BRANCH

(Alex. Harbour Office)

ISLAMIC BRANCHES

● EL MANSOURAH BRANCH

MAADI BRANCH

SOUHAG BRANCH

HELWAN BRANCH

(15 MAY CITY)

GIZA BRANCH

MOHANDSEEN

TANTA

DAMIETTA BRANCH

● HEAD OFFICE

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tion of offshore deepwater Mediterranean areas, new concessions attract spirited bidding among more than a dozen foreign oil companies active in

Egypt.
Most interest has focused recently on the Western Desert, where Conoco has been particularly active. It domi-nated the latest bid round in an area adjacent to where it already has several producing wells. But in the past year or so, initial optimism about the Western Desert's potential has given way to disappointment. Oil reservoirs discovered thus far are small, and it seems unrealistic to expect any alteration to this pattern. "We hoped it would be Libya all over again," said a representative whose company is exploring in the Western Desert, "but it's no Sirte basin."

Other areas of interest include the relatively under-explored Nile Delta, where structures for gas are promising. There is also interest in offshore Delta areas.

Egypt is producing on average about 870,000 barrels a day, about half of which is used domestically. Amoco through Gupco, its joint venture with EGPC, accounts for 50-55 per cent of Egypt's production, mainly from its Gulf of Suez fields which reached "maturation" five years ago when pro-duction peaked at 600,000 b/d. About 80 per cent of Egypt's oil comes from the Gulf of Suez, and all these wells are mature. Oil company representatives said the business climate for the oil sector had improved in the past year, although there is widespread concern about the lack of guidelines on Egypt's

demand for gas. Companies are reluctant to invest in new fields if they cannot be sure that the infrastructure will be in place so they can deliver their product. But company representatives praised the new EGPC admin-istration which had substantially reduced delays in granting new exploration agreements. There was also praise for Egypt's more realis-tic pricing policies - previously it was slow to adjust its price in line with movements in the market. The increase in

the oil price from \$14 a barrel

nine months ago to \$17 today

has also improved the outlook.

31/12/87

40.000,000

17,814,011

12,045,933

Businesses face big debts and a lack of foreign exchange, writes Andrew Gowers

Industry struggles to stay afloat

EGYPTIAN businessmen have devised a joke to describe the travails of the country's pri-vate sector since the Free Officers' comp of 1952. Anyone, it says, who didn't go to jail under Nasser will never go to iall: anvone who didn't make money under Sadat will never make money; anyone who hasn't gone bankrupt under Mubarak will never go bank-

Like most Egyptian jokes it is a caricature with a kernel of truth. Times are indeed hard for privately-owned businesses, probably harder than at any time since the late President Anwar Sadat created his famous "open door" policy to encourage foreign and local private investment in 1974. Many of the import-depen dent businesses set up in the subsequent decade are now in

serious trouble, facing the prospect of reduced production or even closure. Leaving aside tourism, which is established as the Egyptian economy's success story, the bright spots such as thriving exports in some areas - are overshad-owed by other sectors' prob-lems with foreign exchange, debt and what is at best a stagnant domestic economy.

"For the past year, we have been feeling a clear recession," says Dr Adel Gazarine, chairman of the Federation of Egyp-

tien Industries. It is not just a matter of the entrepreneurial classes' old bugbears persisting, or getting worse. To be sure, the vast and notoriously inefficient public sector continues to dominate industry, leaving private bustwhich have no incentive to ment-owned enterprises control 70 per cent of industrial output; half of them are believed by independent observers to make losses, and the other half probably would if they did not have access to prices fixed absurdly low by

Then there is the legendary bureaucracy. Despite frequent government promises to lighten the burden on private enterprise, red tape remains

stifling. But the direct origins of the current crisis are relatively recent. Three main factors are

First, there is a shortage of foreign exchange which is especially acute for private businesses wanting to import raw materials or semi-finished goods for further processing Foreign banks have largely frozen supplier and letter of credit facilities because of the impasse over Egypt's debt. At home, importers are once again having increasing diffi-culties with the country's cumbersome system of multiple exchange rates.

Given that the government commandeers oil, cotton and Suez Canal revenues at its artificial Central Bank rate of £R0.70 to the dollar (partly in order to disguise the cost of distributing subsidised food), importers are left to battle for a share of what is called the "commercial bank pool" supplied mainly from tourist revenues and expatriate Egyptian workers' remittances.

But this pool has been encountering increased difficulty in meeting the still heavy demand for hard cur-rency, partly because Egyptian workers have reduced the flow of remittances since the col-lapse of Egypt's Islamic investment houses last year.

Nor is there any guaranteed solace in the grey or black market. The unofficial value of ness on the margins, compet-ing with powerful entitles increasing divergence from the commercial bank rate in make a profit and which can recent months, demonstrating sell at fixed prices. Govern-that some businessmen have been tempted back to illegal channels in order to obtain their foreign exchange.

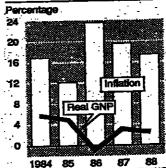
But they run the risk of being caught by a government determined to crack down on the unofficial currency marenergy and raw materials at ket: a number of entrepreneurs are reported to have been arrested in recent swoops

on money changers. Small wonder that respectable company executives think twice before dabbling in the black market.

A second problem area is private sector hard currency debt - a burden that has become critical with the con-tinuing slide in the value of

the Egyptian pound. In the early 1980s, when the dollar was quoted at £E0.84, Egyptian companies went on a dollar-denominated borrowing spree, running up debts variously estimated to total between \$1bn and \$3bn. The eg is that the dollar is now worth nearly £E3, so the com-





anies' deht hurden, assess în local currency, has more than tripled.

"Many companies have been hit by this, and some are really in serious trouble servi-cing the debt," Dr Gazarine

Third, there are even prob-lems of liquidity in local currency. The Government is tightening the money supply to combat inflation, and banks have become ultra-cautious about lending in Egyptian pounds. The purchasing power of ordinary Egyptians is being squeezed, and will probably be eezed further if there is an agreement between Cairo and the International Monetary

companies which rely on imported raw materials and components and which do most of their sales in the domestic market are in a double – in some cases, a triple –

Industrialists report that Egypt's four TV assembly ventures - three of which are public sector and one private - are suffering badly. So are assemblers of basic household goods, whose original eco-nomic calculations have been thrown out of the window by the decline in the pound. Many are living on their stocks for now but may eventually have to close for lack of foreign

Most businessmen appear to believe there is no prospect of improvement until an understanding has been reached with the IMF. They hope such with the IMF. They hope such a deal will focus more than in the past on the supply side of the economy – and in particular on the welter of distortions and restrictions holding back activity in both the public and

private sectors.

They say that until these controls are eased it is most unlikely that the flight of Egyptian capital will be reversed, or that significant new foreign capital will be attracted.

There are two straws in the wind which might encourage a slightly more optimistic view. One is that the Government does appear to be seized of the red tape problem — at least in intellectual if not in practical

It is preparing a new invest-ment law which is supposed to improve incentives such as tax holidays for new businesses, and perhaps more importantly to simplify approval proce-dures. The intention is that companies wishing to initiate a project should only have to approach a single government body, the Investment Authority, to obtain clearance. It remains to be seen whether this makes much difference. Some business representatives are scaptical. They

The upshot of all this is that say that the problem lies not so much in the existing investment law, which is quite lib-

eral, as in its implementation. Mr Taher el-Sherif, secretary general of the Egyptian Businessmen Association, believes that the red tape problem has actually been getting worse, with ill-paid and poorly-educated civil servants wary of taking any initiative.

Some businessmen reckon up to half their time is taken up filling out forms or otherwise dealing with officialdom. Mr el-Sherif says a change in the whole environment will be necessary, rather than in just one law on top of an accumulation of at least 5,000 rules and regulations affecting busi-

ess over the past 30 years. The other modest ray of hope is the fresh attention now being given to exports. Precise figures are impossible to come by, but it is unani-mously reported that the pri-vate sector has been noticeably improving its export performance over the past year, especially in such areas as ready made garments, pro-cessed foodstuffs and leather goods. Mr Mohammed Abdel-Wahab, the Minister of Industry, reports that the public sec-

tor has also boosted exports. No doubt this is partly a reflection of the cheaper Egyptian pound. But Mr el-Sherif believes there is also a new interest on the part of some companies in gearing themselves entirely for export, rather than waiting for an exportable surplus to arise.

Official export procedures have also been eased somewhat in recent months, thanks to a personal intervention by President Hosni Mubarak, and exporters are able to retain more of the foreign exchange they generate for their own use. This is encouraging importers who used to think in terms only of the home market to look abroad.

That is a start. The challenge now is to apply a similar commercial logic to the struc-ture of manufacturing indus-

Reclamation is one way of attaining food self-sufficiency, writes Tony Walker

The race is on to find new land

"FOR US land reclamation is a must. We don't have any other choice," declared Dr Adel el-Beltagy, the head of Egypt's land reclamation bureau. "It's a challenge which we have to face, in order to seek self-sufficiency in major agricultural

commodities except wheat." The question for Egypt's donors, however, is whether self-sufficiency will ever be possible in a country whose rate of population increase is putting an ever-increasing bur-den on limited arable land.

To date, the relatively unsuccessful land reclamation efforts
- much of the reclaimed land
returns low yields - have not
inspired great confidence in government claims that by early next century it will have

largely bridged the food gap with the exception of wheat. The challenge is immense. Agricultural imports have now reached about \$4bn a year. Egypt is currently importing more than two-thirds of its wheat and vegetable oil, about one-half of its sugar and onethird of its feed-corn. Its popurate of about 1m every seven months; by 2000 it will have climbed to 75m at a present

between 2.7 per cent and 3 per .The yearly increase in agricultural output is hovering at around 2.5 per cent. Egypt des-perately needs to increase substantially the rate of agricul-tural production, but this is not possible from existing

annual estimated increase of

farmed land in the Nile valley and Delta. The race is on to find new land. The Ministry of Agriculture and its bureau of land reclamation have recently identified 3.4m acres of virgin territory, out of 17m surveyed, that would be suitable for rec-

plan, under which these addi-

tional 3.4m acres - existing acreage totals a little less than 7m acres - will be pioneered. Some 2.8m acres would be suitable, according to the master plan, for reclamation using Nile waters. The remaining 600,000 acres would be irrigated from stocks of underground water in places like the Western Desert and the Sinai. The present target is to reclaim

high-yielding and intensively. 130,600 acres annually. If this requirements. He is scornful of rate is maintained for the next decade: Egypt will have breadly matched in 10 years the 1.32m acres reclaimed since 1952, the year that brought Gamal Abdel Nasser to power.

tion, bearing in mind that in less than two decades the country has slipped from being a net agricultural exporter to an importer of more than 50 per cent of its total food

various land reclamation studies, including one sponsored by the United States Agency for International Development (USAID) in the late 1970s, that found the cost Dr el-Beltagi is confident of reclaiming land to be prohib-hat significant progress can be litive. This, he said, had that significant progress can be tive. This, he said, had made towards restoring baldeterred foreign donors from ance to Egypt's food produc-supporting such schemes.

Egypt is now pressing ahead with two big land reclamation projects that will open up farming land on the Mediterranean coast to the east and west Continued on Page 3



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- the national carrier had a

monopoly of the duty free shops at the old airport — to ensure the lease went to the most competitive tenderer. He

says of the experience: "From our side, it was a shock (when

the foreign operator withdrew),

but it did not cause us finan-

Dr Sultan has clear views

about the path to privatisation,

but he would be among the first to acknowledge the diffi-culties. His prescription involves the separation of the budget from government control (as has been done in the

case of EgyptAir), raising additional capital (most Egyptian

public enterprises are starved

of investment) and the liberal-

"You cannot sell a losing company," he says. "You have to make it a success before offering it to the public." He is

confident that if Egyptian pub-

lic sector companies, most of which are unprofitable, were

moved from the intensive care

ward they would become

most developed and developing countries where "liquid money" – bank notes and deposits – within the banking

system amounts to about 60

per cent of GNP, in Egypt it

accounts for more than 100 per cent of GNP. "In a community

like ours," he says, "finding that (such a state of affairs

exists) represents a serious dis-

He points out that unlike

attractive to investors.

isation of management.

THE TEST

 $(x,y) \in \mathbb{R}^{n}$

- 10°

toe of care.

STATE OF SEC.

- -: -

DR FOUAD Sultan hardly fits the image of a prize fighter. Yet the quietly spoken former investment banker has had more than his share of scrappy encounters in the four years since his appointment as Min-ister of Tourism and Civil Ayl-

ation. He has used his position to take up the cudgels on behalf of a beleaguered private sector. a beleaguered private sector.

"This is part of the penalty I have to pay to continue my fight," he says ruckully of the frequent criticism he suffers at the hands of Egypt's broad left. "It's not an easy thing to change people's attitudes, but you have to continue to try in a country where old dog-mas die hard, 58-year-old Dr Sultan stands out in a cabinet

One prominent businessman said: "If Fouad was to be sacked or was to resign from the government, it would send a very, very negative signal to the business community. He really is our last hope."

Dr Sultan, the founder and former chairman of the Misr Iran Development Bank (MIDB), would not necessarily welcome this sort of observation, but on the other hand he appears to sense that he carries the hopes of many Egyptian businessmen and not a few foreign embassies anxious to see an accelerated liberalisation of the economy.

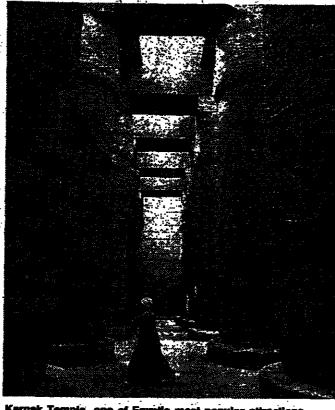
He believes that in suite of his image of being a lone fighter within the government for economic rationalisation. everyone else is becoming more oriented towards the pri-

vatisation issue."
He observes: "Whether we like it or not, there is no way we are going to get out of the economic crisis without introducing comprehensive economic reforms, not only of fiscal and monetary policy, but also of production and productivity. People are now much more convinced that the private sec-tor can play an active role."

When he was appointed to the cabinet, he set out to preve that free market principles, when applied to the hitherto government-dominated tour-

With more than a little luck and some bold initiatives he has been proved right. One of his first actions was to "open. Tony Walker meets a former banker reviving the tourism sector

Free market's spokesman



Karnak Temple, one of Egypt's most popular attractions

flights in the face of powerful opposition led by EgyptAir, the national carrier. This put Egypt within reach of the ma tourism market. In 1987 the number of visitors increased by 100 per cent compared with 1986, due in part to the new policies and also to a general recovery in Middle East tour-

He also set about "divesting" the government-owned and loss-making Egyptian Hotels Company (EHC) of its 18 hotels to private, and in almost all cases, foreign management. Helped by the tourism boom.

first or last time, the spectre of recently of the withdrawal by a his early departure from the Cabinet. That he has stayed is a tribute to his tenacity and his sense of mission.

He admits today to having "lost partially" on the San Stefano, but he did manage to persuade the government to allow him to sell a half share in the both to investigate So for these hotel to investors. So far, there have been no takers.

Another of Dr Sultan's missions has been to liberalise the management of EgyptAir, a government-owned dinosaur which had built up an unenvia-ble reputation for poor service nd delays. His initial efforts have been

focused on introducing some new private sector blood on to the board of EgyptAir – it is not a "one-man show," he declares pointedly – and on encouraging the airline to embark on an aggressive programme of acquiring new air-

The national carrier has committed itself to purchase and lease arrangements total-ling about \$1bn financed, Dr Sultan says proudly, from its own resources and borrowings. There has been no assistance from the government or cen-tral bank. He sees EgyptAir as an important test of his privatisation theories.

"Liberalisation is not just a word," he says, "but it needs to have a very detailed action programme." In the case of EgyptAir this has meant, apart from changing the complexion of the hand of the board, ensuring the air-line becomes totally responsible for its own commitments.

He has also pushed aggressively for a much-needed improvement in ground catering services in Cairo in spite of EgyptAir's early opposition. The Ministry of Civil Aviation recently signed an agreement with six foreign airlines to establish a catering operation in competition with EgyptAir which itself, curiously, has

foreign company from its lease of the duty free shops at the new Cairo airport terminal after it found that it could not "deliver" agreed minimum rev-enues to the government. This was something of a blow to Dr Sultan as he had fought hard against EgyptAir's objections

organisations under the tour-ism ministry.

Dr Sultan wants to see his former investment bank develop as the "tourism bank," sponsoring development proects in tourism, and helping EgyptAir to continue with its modernisation programme. The good news for the minister and for Egypt in an otherwise fairly bleak financial picture is that tourism revenues continue to be buoyant.

In the first four months of 1989, the number of visitors were up 11 per cent on the corresponding period last year. This compares with growth rates in other comparable mar-

four years in the job, he has seen tourism revenues grow from less than \$1bn annually to \$2.2bn in 1988 (it is now by far Egypt's biggest hard currency earner with the exception of expatriate remittances) ics, it would appear that Dr Sultan is doing something

TRADE RALANCE

Exports ((.o.b)

Imports (c.i.f)

He is also talking about pri-vatising part of the Misr Iran Development Bank (MIDB), presently owned 75 per cent by the public sector Bank of Alex-andria and the Misr Insurance Company, and 25 per cent by Iran. The Egyptian partners have agreed to divest them-selves of 25 per cent of their holdings to be offered to the

Employees of Bank of Alexandria, Misr Insurance, EgyptAir and the tourism and civil aviation ministries will be offered up to 10 per cent of the shares. The other 15 per cent will be reserved for EgyptAir itself and for public sector

motion efforts.

kets of 4-5 per cent.

Dr Sultan has some reason for satisfaction. After nearly

um (crude and products)

In spite of his numerous crit-

Additions to debt service arrears

Total external debt

MOTOR SECTOR

Assemble here

WHATEVER problems the foreign exchange shortage has caused for companies in Egypt, not everybody is complaining For employees, dealers and suppliers of General Motors worldwide, it has brought an unexpected perk: the chance to go on a specially-priced pack-

age holiday. In recent months, GM people have been flocking to Egypt from Europe, the US and Australia under a deal between GM's truck-assembly operation in Egypt and the government under which the GM subsidiary is allowed to retain a pro-portion of the foreign exchange generated by its tourism pro-

It is expected eventually to raise between \$2m and \$3m towards GM's total annual foreign exchange requirement of between \$80m and \$90m, and is one of the more ingenious stratagems dreamed up by companies hungry for hard currency to keep import-dependent operations in Egypt tick-

GM's chairman in Egypt, Mr Mohammad Razaq, says the company does not yet have a critical foreign exchange prob-lem. In fact, 1988 was a relatively successful year for the Egyptian operation, a GM-Isuzu joint venture with Egyptian and Saudi investors assembling one-tonne Isuzu pick-ups from kits imported from Japan. The company, which started up three and a half years ago, may only have turned out 8,000 trucks last year against a design capacity

BALANCE OF PAYMENTS (\$m)

-4.978

1.300

-5.059

-7,323

of 25 000 and a licensed capac ity of 18,200, but its profits rose 12-fold thanks to tight controls on spending and inventory and to reduced production shifts.
Output from the plant at 6th October City outside Cairo is as low as it is, says Mr Razaq, mainly because demand for trucks is depressed. He is desperately anxious to use his idle capacity to assemble luxury ment has yet to approve such a project and may well be reluc tant to do so in the present atmosphere of ostensible aus-

terity.

GM is probably the largest foreign investor in Egyptian industry, however, and it is certainly not immune from the foreign exchange crisis. Apart from offering cut-price holidays, it has been forced to consider various ways of circumventing the squeeze, including barter of aluminium or cotton. It has also put effort into building up local suppliers of basic components such as doors, the local content of GM Egypt's products up to a current level

But the company may not be able to take that process much further, and Mr Razaq admits he is worried about keeping things going in the next couple of years. "We are coping with the situation, but it's getting worse every month," he says. "For most business people who have to import raw materials. the future is a matter of grave concern."

Andrew Gowers

-5.905

3,274

1.563

-9,179

1.937

4,571

1,269

-2,634

-783

3,424

1.521

4.310

tortion . . . and reflects lack of investment opportunities." SERVICES BALANCE brothers drew strong and emo-In the case of EgyptAir's bortional protests from govern-ment and opposition figures, and forced the historic hotel's ism sector, would bring quick and beneficial results. rowings, he asks, would it not be more desirable to offer of which Suez Canal dues EHC turned an operating loss of £E6.5m in 1985-86 into a taken a 20 per cent stake in the bonds rather than be depen-Tourism modest profit in 1987-88. withdrawal from sale. dent on international syndi-cates and banks? PAYMENTS -3,599 For Dr Sultan it was a somewhat chastening experience and one that raised, not for the Not all his "privatisation ventures" have proceeded smoothly. There was the case Dr Sultan said that from his point of view the most impor-Dr Sultan has various Egypt's skies" to charter tant development here was not schemes to advance his theo-TRANSFERS ries and to encourage public sector enterprises such as Worker remittances between £E2,500 and £E5,000 Race to find new land EgyptAir to begin thinking commercially. He has per-Long term capital balance Balance on current and long term capital payments suaded the national carrier, for example, to take a 35 per cent

Continued from Page 2 of the Nile Delta. One impor-tant criteria is that land to be reclaimed should not rise more than 100 feet above the Nile lest pumping costs make such land use uneconomic.

The projects are:

A scheme to the west of the Delta which is already yielding results as the Nasr canal, utilising Nile waters, pushes out towards el Alamein on the coast. Land is being opened up in previously desert areas to the west of the main Cairo-Alexandria desert road. The North Sinai Project to the east of the Delta, which is

proceeding slowly but plans are afoot to speed it up. A canal has been constructed that connects the east Nile tributary below the coastal town of Damietta with a point 29 km south of Port Said on the Suez Canal 90 km away. The next stage will be to build a

satellite.

tunnel under the canal to carry water to the northern Sinai near el-Arish and along the east bank of the canal.
Dr el-Beltagi believes that

these two projects, once com-pleted, will make a big difference to Egypt's farming capacity. In the case of the Nasr canal project, 90,000 acres out of 450,000 acres has already been reclaimed in a project that is expected to be com-

pleted by 1993. The North Sinai project envisages reclaiming 450,000 acres in two stages. The first stage of 250,000 acres is expected to take four years with the entire project being completed in a further two years. Total cost would reach \$1.5bn. Egypt is considering various "siphon systems" to transport water under the canal. Tenders for a

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our speed of

Egypt also has to resolve whether the tunnel under the Suez canal south of Port Said will be simply a water carrier, or whether it will be extended to accommodate road and rail transport as well. Dr el-Beltagi said organisations such as the World Bank had expressed Sinai irrigation scheme and

the turnaround in KHC's bal-

ance sheet, but the fact that foreign companies leasing

some of Egypt's grand, historic

hotels, such as the Cataracts in Aswan, had agreed to invest a

total of £E60m on much-needed

Among EHC's 18 hotels, only

the San Stefano on the water-

front at Alexandria has yet to

be leased to private manage-ment, and this is not for want

of trying by Dr Sultan. His efforts in 1987 to sell the

San Stefano to the al-Payed

renovations.

tunnel project.

The reclamation programme is aimed at providing jobs for the young unemployed, and at attracting local and foreign investors. Twenty per cent of land reclaimed is offered in small lots of up to five acres on generous credit terms to young "ploneers." The remaining 80 per cent is divided between individuals whose maximum holding can be 300 acres and companies with an upper limit

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BANKING BUSINESS IN EGYPT

per acre. Land reclaimed can be used for a variety of pur-poses, including fish farming,

Dr el-Beltagi said results from land recently opened up along the Nasr canal indicated that spectacular returns were possible, although he admitted there had been failures. The authorities are trying to stimuand hope to accelerate the process by giving quick approvals for land purchases and minimising bureaucratic interference. However, investors are still likely to approach these projects cantionsly.

horticulture, agro-industrial stake in an investment comcomplexes and dairy farms. pany to develop tourist facili-ties.

One attraction for investors

in new land schemes is that the Government has pledged not to impose quotas or cropping requirements on pioneer farmers, unlike in the Delta and Nile Valley where farmers are obliged to grow so-called "government crops" such as pumping system are beingLand is being sold at a little cotton and sugar or risk penal-invited. above cost, estimated to be be ties.

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Canary IS Cp. Verde Is Cayman Is Cent_Air. Res	(Canadian SJ (Sp Peseta) (CV Escudo) (CI S) (CFA Fr)	1.9160 197.80 130.7546 1.3226 535.12 535.12	1.2057 124.4808 82.2873 0.8323 336.7652	0.6063 62.5949 41.3780 0.4185 169.3417 169.3417 129.0189	0.8525 88.0088 58.1777 0.5884 238.0956 238.0956	Laos Lebanon Lesotho Liberia Libya ((New Kip) (Lebanese (2) (Malusi) (Liberian S) Libyan Dinar)	1.5890 0.4879	551.5575 519.6979 2.7511 0.3070	277.3496 261.3291 1.3833 0.5028 0.1543 0.8726	389.9555 367.4304 1.9450 0.7070 0.2170	Surinam (Guild Swagfland (Lifange Sweden (Kro Switzerland (er) 2.8444	1.7900 2,7511 6.6645 1.7353 21.0594	2.2692 0.9001 1.3833 3.3512 0.8726 10.5897	1.2655 1.9450 4.7119 1.2269 14.8892
Chad Chile ((China (Rer Colombia Contoro is	(CFA Fr) Chilean Peso) Iminbi Yuzo) (Col Peso) (CFA Fr)	407.70 5.8622	336,7652 256,5764 3,6892 374,7451 336,7652	129.0189 1.8551 188.4398 169.3417 169.3417	238.0956 181.4015 2.6083 264.9477 238.0956 238.0956 56.1181	Liechenstein Liecembourg Macao Madeira	(Lisk Fr) (Pataca)	2.7575 65.85 12.9081 260.70 2440.00	0.3070 1.7353 41.4411 8.0604 164.0654	20,8386 4,0531 82,5000 772,1518	1 2269 29.2992 5.6988 115.9955	Taheran Tanzania Shiille Thailand (Sa	\$3 41.45 \$3 217.80 \$3 42.00	26.6855 137.0673 26.4317 336.7652 1.3288	13.1170 68.9240 13.2911 169.3417	18.4427 96.9076 18.4874
Congo (Braz Costa Rica	z) (CFA Fr) (Colon) (Coban Peso) (Cyprus £)	595.47 535.12 535.12 126.1255 1.2136 0.8270	336.7652 336.7652 79.3741 0.7637 0.5204	0.2617	0.3679	Malagasy R Malawi Malaysia Maldive is	ep (MG Fr) (Kwacha) (Ringgis) (Rufiya) (GFA Fr)	2440,00 4,4975 4,3135 13,4013 535,12	8.0604 164.0654 1535.5569 2.8303 2.7146 8.4337	772.1518 1.4232 1.3650 4.2409	1085.6507 2.0011 1.9192 5.9627 238.0956	Tunicia (Din	77 535.12 p) 21115 37 6.7724 57 1 5770	336,7652 1,3288 4,2620 0,9880 2120,1699	169.3417 0.6681 2.1431 0.4968 1066.1234 0.5028	238.0956 0,9394 3.0133 0.6985 1498.9766 0.7070
Czechosłovak	ia (Koruna)	25,49c 16,52i 16,52t	16.0415 10.3964 10.3964	8.0664 5.2278 5.2278	11.3414 7.3503 7.3503	Mail Rep Maita Martinique Mauritania Mauritius	(Mattese 5) (Local Fr) (Qugulya) (Maur Ropee)	0.5705 10.7025 119.5125 24.80	2.8303 2.7146 8.4337 336.7652 0.3590 6.7353 75.2123 15.6073	7/2.1518 1.4232 1.3650 4.2409 169.3417 0.1805 3.3868 37.8204 7.8481	0.2538 4.7619 53.1757 11.0344	Torks & Calcos (US Tokalu (Australiae	\$) 1.5890 \$) 2.1115	1.328B	0.6681	0.7070 0.9394 140,3292
Djibouti Rep Dominica	anish Kroner) (Djib Fr) (E Carrib S) ep (D Peso)	280.00 4.30	7.6950 176.2114 2.7061 6.4281	3.8694 88.6075 1.3607 3.2323	5.4404 124.5828 1.9132 4.5447		(Local Fr) (French Fr)	3931.23a 3853.084 10.7025 10.7025	2474,0276 2424,8458	1244.0601 1219.3291 3.3868 3.3868 1.6920	1749.1568 1714.3848 4.7619 4.7619	U A E (Dicha United Kingdom United States (US Uromaty (Pe	m) 5.89525 Ø 1.00 Ø 1.5890	198,4833 3,7100 0,6293 1 558,2504 0,6482	99.8069 1.8655 0.3164 0.5028 280.7151 8.3259	2.6230 0.4449 0.7070 394.6874 0.4582
Ecuador	(Sucre)	797.80s 876.70a	502.0767 551.7306	252 4583 277,4367	354.9721 390.0778	Mongolia Montserrat Morocco	(Togrik) (E Carr S) (Dirham)	5.3470 4.30 13.77	6.7353 6.7353 3.3650 2.7061 8.6658	1.3607 4.3575	2.3790 1.9132 6.1268	Vanuate (Valuate Vatican (Li		111,3908 1436.7526	56.0126	78.7541 1015.7953
El Salvador Eguat'i Guine	(Egyptian £) (Colog) 5) (CFA Fr) Hopian Birr)	4.0600 7.9700 535.12 3.2999	2.5550 5.0157 336.7652 2.0767	1.2848 2.5221 169.3417 1.0442	1.8064 3.5461 238.0956 1.4682	Mozambige Namibla Nauru is	(S A Rand) Anstralian S)	1150.75 4.3715 2.1115 38.2440	724.1976	364.1613 1.3833 0.6681 12.1025	512,0133 1,9450 0,9394	Venezuela (Bolho	r) 60.84	38.2882	19.2531	27.9700
Falkland is Faroe is (Da Fiji is	(Falk © mish Kroner) (Flji S) (Markka)	1.00 12.2275 2.3636	0.6293 7.6950 1.4874	0.3164 3.8694 0.7479 2.2287	0.4449 5.4404 1.0516 3.1336	Nepal (Ne Netherlands N'nd Antille New Zealand	palese Rupee) (Guilder) s (A/Guilder) i (NZ S)	38.2440 3.5600 2.8683 2.6950 11795.60	2.7511 1.3288 24.0679 2.2404 1.8050 1.6960	1,1265 0.9076 0.8528	1.9450 0.9394 17.0162 1.5839 1.2762 1.1991	Vietnam (Dor Virgin is-British (US Virgin is-US (US	\$1 1.5890 \$3 1.5890	4512.7438 1 1	2269.2246 0.5028 0.5028	
Finland France Fr. Cty/Afric Fr. Gulana Fr. Pacific is	(Fr) a (CFA Fr) (Local Fr)	7.0428 10.7025 535.12 10.7025 194.00	4,4322 6,7353 336,7652 6,7353 122,0893	2.2287 3.3868 169.3417 3.3868 61.3924	3.1336 4.7619 238.0956 4.7619 86.3181	Nicaragua Niger Rep Nigeria Norway	(Cordoba)	11795.60 535.00 11.7179 11.3025	7423.2850 336.6897 7.3743 7.1129	3732.7848 169.3037 3.7081 3.5767	5248.3203 238.0422 5.2137 5.0289	Yemen (Ri Yemen PDR (Dis Yemen PDR (Dis Yeonslavia (Dis	al) 16.20 ur) 0.5466	2.2970 10.1950 0.3439 13246.9725	1.1550 5.1265 0.1729 6661.2151	1.6240 7.2080 0.2432 9365.7130
Gabon Gambia Germany East	(CFA Fr) (Dalasi)	535.12 10.0072 3.1600 3.1600	336.7652 6.2977 1.9886 1.9886	169.3417 3.1668 1	238.0956 4.4525 1.4060	Oman Pakistan Panama	(Risi Omani) (Pak. Rupes) (Balboa)	0.6145 34.00 1.5890	0.3867 21.3971	0.1944 10.7594 0.5028	0.2734 15.1279 0.7070	Zaire Rep (Zair Zambia (Kwaci	w) 599.77	377.4512 10.5726 2.0673	189.8006 5.3164 1.0395	266.8609 7.4749 1.4636
Germany Wes Ghana Gibraltar Greece	(Cedi)	3.1600 426.2655 1.00 268.55	1.9886 268.2602 0.6293 169.0056	ī 134.8941 0.3164 84.9841	1,4060 189,6620 0,4449 119,4883		Guinea (Kina) (Guarani)	1721.52	0.8533 1083.3983	0.5028 0.4290 544.7848	0.7070 0.6032 765.9710					

Special Drawing Rights May 25, 1989 United Kingdom £0.788442 United States \$1.24085 Germany West D Mark N/A Japan Yen173.953 European Currency Unit Rates May 26, 1989 United Kingdom £0.659911 United States \$1.06312 Germany West D Mark 2.07999 Japan Yen148.730 anknote rate: (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (b) Exports; (f) Non c usury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (d) convertible rate; (r) parallel rate; (s) Selling r Some data supplied by Bank of America, Economics Department, London Trading Centre, Engainles; (1) 634 4360/5. Monday May 26, 1989.

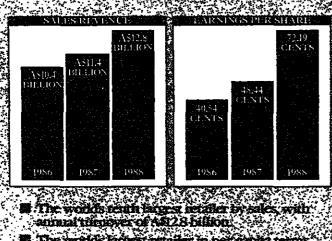
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- # 17.7 per cent share of the national retail market.
- Over 163000 employees and 1430 stotes across
 Australia and New Zealand: department stores
 discount stores, supermarkets, fashion, fast food and legrer outlets
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- 75 years of profitable operations.

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For more information contact: Investor Relations, Coles Myer Ltd., 800 Toorak Road, Tooronga, Vic. 3146, Australia.

> FIDELITY BALANCED PORTFOLIO Société d'investissement à Capital Variable

R.C. Luxembourg B 25.918 **DIVIDEND NOTICE**

Luxembourg, 5 Boulevard de la Foire

At the Annual General Meeting held on May 25, 1989, it was decided to pay a dividend of US\$ 0.10 (ten cents) per share on or after June 13, 1989 to shareholders of record on Mey 28, 1989 and to holders of bearer shares upon presentation of coupon No 2.

Paying Agents:

COMPAGNIE FIDUCIAIRE 5, boulevard de la Foire L - 1528 LUXEMBOURG

KAEDIETBANK SA LUXEMBOURGEOISE 43, boulevard Royal L - 2955 LUXEMBOURG

HUMBERSIDE

The Financial Times proposes to publish this survey on:

7th July, 1989

For a full editorial synopsis and advertisement details, please contact:

> Hugh G Westmacott оп 0532 454969 Fax: 0532 423516

or write to him at:

Permanent House The Headrow Leeds LS1 8DF

FINANCIAL TIMES



RAND MINES Roodspoort Deep, Limit (Incorporated in the Republic of South Africa)
Registration Number 01/00925/06 East Rand Proprietary Mines, Limited

Possible discontinuance of mining operations

At prevailing gold prices

the underground operations at the mine owned by Durban Roodspoort Desp.

familied are generating substantial losses, and immed are generating substantial losses, and the unne owned by East Rand Proprietary Mines, Limited continues to mour

Attenuative operating strategies to avoid further losses have been evaluated. An early improvement in the gold pince to levels which would enable these mines to operate profitably is not foreseen.

The respective boards of directors have concluded, effect careful consideration of the Population of t

The respective boards of directors have concluded, after careful consideration of all the facts, that financial assistance from the Covernment of the Republic of South Africa will be necessary if each of these tances to continue its operations. Approaches for such assistance were made to the Covernment by each company just over a week e.g...

Discussions with the Government have continued on an organit bears and no final decision has been taken. A further amountement will be made as accounted the continued on t

procupable.

Meanwhile to protect shareholders' microsis, the listing of the shares of each company will remain suspended on The Johannesburg Stock Exchange, the international Stock Exchange in London and the Paris Bourse.

Registered office 15th Floor The Corner House 63 Fox Street Johannesburg 2001

26 May 1989

London office 40 Holbern Viaduct



APPOINTMENTS

Exco board posts

EXCO INTERNATIONAL has appointed the following to the board: Mr Peter Edge, managing director, Godseil, Astley & Pearce (Eurocurrency Deposits), London; Mr Goh Say Jim, managing director, Astley & Pearce (Pte), Singapore: Mr Anthony Sciametta, executive vice president, Noonan, Astley & Pearce Inc, New York; and Mr Wilson Wong, managing director, Astley & Pearce (Hong Kong), Hong Kong.

- Mr Alan Pedder, managing director of ICI Fibres, has been elected president of the BRITISH TEXTILE CONFEDERATION.
- Mr Anthony Pedley has been appointed head of the global custody services unit based in London for BANK OF AMERICA NT & SA. He succeeds Mr Robert Darmanin who transfers to the bank's headquarters in San Francisco.
- THE SPRING RAM CORPORATION has appointed to the group main board: Mr David Riley, responsible for all bathroom product operations; Mr Martin Croxen managing director of Ramfield property and financial services subsidiary; and Mr Mark Raven, company secretary.
- Mr Peter K. Wilde has been appointed to the board of VIKING RESOURCES TRUST, following the resignation of Mr James C. Grundy. Mr Grundy has also resigned from the board of Aviva Petrolsum, following the sale of his interest in Ferris Investments.
- Dr Klaus Gerlach has succeeded Mr Helge Welmeir as AGFA-GEVAERT'S UK board member, based in European headquarters in Germany. Dr Gerlach is chairman of the group, a Bayer subsidiary. Mr Adrian Day has been appointed director of finance and administration on the board of Agfa-Gavaert, UK.

■ Mr John Lutterloch has been appointed sales director of WESTERN INDUSTRIAL FINANCE COMPANY. He was nanaging director of Baltic

EASTERN COUNTIES **NEWSPAPERS** has appointed Mr Martin Bennett as financial director. He remains company secretary. Mr. Lawrence Sear. becomes editorial director, and remains editor of the Eastern Daily Press. Mr Peter Keel, business development manager, is promoted to marketing director. Mr K Hustler is made director of operations, and Mr Jim Duncan director of information:

■ Mr Tony King-Smith has joined LSI LOGIC EUROPE as technical director at Sidcup.

He was with Niche Technology.

FENCHURCH INSURANCE BROKERS has appointed Mr Jeff Davies as managing director of Fenchurch North Western, the company's Manchester office. This follows acquisition of his company, Davies and Perfect (Northern), and its merger with the Fenchurch Manchester office. His partner, Mr George Perfect, becomes a director of Fenchurch North Western.

■ PROTEUS GROUP has appeinted Mr Graham Margeison as chairman, Mr Margetson as chairman. Mr
David Graf Secones managing
director of the largest
subsidiary, Computer Business
Centres (CBC). Mr Chris Butler
is made technical director, and
Mr Michael Wright financial
directors, Mr Joe Connolly,
Mr Alasteir Mathewion and
Mr Kevin McChri, have been
appointed to the hoard of CBC.
Mr Margetson also becames Mr Margetson also becomes managing director of snother subsidiary, Proteon Software, with Mr Charles Badesock as finance director, Mr Shaun. McCarthy as marketing director, Mr Howard Turvey as divisional director, and Mr Robert Davison as director of software development.

Captain David Richards, chief pilot of ELLAN-VANNIN AIRLINES, Bournemouth, has en appointed to the main

■ Mr Barry Norris has been appointed director of personnel and training for the DUTTON-FORSHAW MOTOR GROUP. He was personnel manager, Lancer Boss Group.

■ Mr John Clement, service director of IVECO FORD



H.P. BULMER HOLDINGS has appointed Mr Michael Ward bove) as group financial director from June 19. He was group finance director of Bassett Foods.

TRUCK, is due to retire in 1990 and until then will undertake special assignments. Mr las Esland, southern district sales manager, has been appointed to succeed Mr Clement as service director.

10

■ PINNACLE INSURANCE COMPANY, a subsidiary of Woodchester Investments, has appointed Mr Christopher Schwick and Mr Norman Shuker as joint managing directors; Mr Anthony Claytor as general manager operations; Mr John McGivern as sales manager, and Mr Steplien Williams as training

Dr Andrew Bevan has been appointed director, fixed interest research, at WestLB UK. Previously a first vice president with Drexel Burnham Lambert in London, he will be responsible for international bond strategy.

Cheltenham & Gloucester promotions



CHELTENHAM & GLOUCESTER BUILDING SOCIETY has promoted Mr Roger Burden, (left) general manager (information systems), to information systems director; and Mr David Barnes, (centre) general manager (finance), becomes finance director. Mr David Bennett (right) has been appointed treasurer. He was assistant treasurer.

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Arthur Young

SER OF ARTHUR YOUNG INTERNATIONAL Arthur Young, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

General Mining Union Corporation Limited



PROPOSED RIGHTS OFFERS AND LAST DAY TO REGISTER

Central Merchant Bank Limited is authorised to announce that:

the directors of Gencor have decided to proceed with a rights offer of 20 new ordinary shares in Gencor for every 100 capital units in issue; and

the directors of Federale Mynbou Beperk ("Fedmyn"), the controlling shareholder of Gencor, have decided to proceed with a simultaneous rights offer of 22 new ordinary shares in Fedmyn for every 100 capital units in issue to enable Fedmyn to follow its rights in the Gencor rights offer.

Holders of ordinary shares, 8.5% variable compulsorily convertible cumulative preference shares and 12.5% unsecured subordinated compulsorily convertible debentures in Gencor and Fedmyn registered as such at the close of business on Friday, 23 June 1989 will be entitled to participate in their respective rights offers.

The proceeds arising out of the Gencor rights offer will be utilised primarily to finance Gencor's growth programmes and to enable it to accelerate the development of its existing businesses. The Gencor group has in recent years been successful with a number of major projects and acquisitions. There are further projects which are currently being worked on throughout the group. The rights offer will thus enable Gencor to maintain the momentum of its growth and will place the group in a favourable position to exploit new investment opportunities.

Application will be made to:

The Johannesburg Stock Exchange for the granting of a listing of the renounceable (nil paid) letters of allocation and the new ordinary shares in Gencor and Fedmyn to be issued in terms of the

The Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited for admission to the Official List of the new ordinary shares in Gencor to be issued in terms of the rights offer.

In order to implement the rights offer in Geneor, ordinary shareholders of Geneor will be asked to approve a special resolution converting the issued and unissued authorised S ordinary shares into ordinary shares in the share capital of Geneor. A notice convening a general meeting to be held on 19 June 1989 was posted to shareholders on Friday, 26 May 1989. Fedmyn has sufficient unissued authorised ordinary shares to allow for its right offer.

Shareholders and debentureholders of Gencor and Fedmyn will be advised of further details including the terms regarding the proposed rights offers through the medium of the press. Circulars setting out details regarding the proposed rights offers are in the process of preparation and will be mailed to shareholders and debentureholders in due course.



Central Merchant Bank Limited (Registered Bank) (Registration number 55/01742/06)

Johannesburg, 29 May 1989

FINANCIAL TIMES



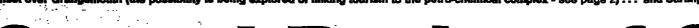
The region's industry suffered in the recession of the early 1980s. Even the

prospering chemical

sector is not the source of jobs that it once was. The need to innovate is clear, says Hazel Duffy, and the area's natural beauty is proving a spur to investment in tourism.







The periphery fights back

CENTRAL REGION is the wedge in the middle that was left over after Scotland had been carved up into adminis-trative areas. It does not have the population and the spending power of neighbouring Strathclyde and West Lothian, of Glasgow and Edinburgh.

niently at the confluence of Scotland's motorway system. The west of the region boasts fine scenery over to Loch Lomond. In Grangemouth, on the River Forth, it has the largest port on the east coast of Scotland. And it has a tradition of industrial activity which, in microcosm, reflects the devel-opment of industry in Scot-

rester proof

imited i

The impressively-sited town of Stirling, at the centre of the region, is dominated by its cas-tle, which still serves to emphasise the strategic location of the town between the lowlands and highlands of

The castle and the old town put Stirling firmly on the tour-ist map. Stirling council drew up an ambitious programme which would have included contracting out the management of the castle (a national monument) and making it more accessible to the main part of the town. The plan is being assessed by the Scottish Development Agency, following certain objections to the scheme by the Scottish Office.

But the initiative by the conneil to make an econor virtue of its medieval past, illustrates the way in which the public authorities, increasingly working with the private sector, are trying to find a more secure base for the econ-

omy of the region. Industry suffered severely in the recession of the early 1980s. Few companies were immune. The decline in engineering jobs hit a region which had already suffered the pit closures. Now, the chemicals industry, situated at Grangemouth, is enjoying the upside of the demand

GOAV

enterprise

THE REGION AND ITS PEOPLE

Population (1988)	
Population by age group:	
Working age	62 per cent
School age	15 per cent
Under-fives	6 per cent
Over-65	
Employment:	

4		per cent (Scotland 5:3 per cent)
		25.5 per cent (22.8 per cent)
ŀ	Construction	6.4 per cent (7.3 per cent)
	Service	62.6 per cent (64.6 per cent)
ď		
		11.8 per cent
4	(Scotland)	11.5 per cent

- 1	. (OK) 1.1 por voit
1	
:]	Salaries (1987): Secretary
`	Secretary
1	Personnel manager
	Accountant (book-keeper)
	Accountant (senior)£16,381
	Computer programmer

٠.	Computer programmer	£10,839
::	Electronics engineer	£12,049
٠	i em militario in internationalità di la company	
	Hourly wage rates (1987):	
	Light assembler	£3.30
٠.	Semi-skilled production operator	£3.69
	Latine operator (turner)	£4.25
	Machine tool-setter	£3.72

The same of the Seurces Central Region Council; SDA

cycle, and planning to invest in new capacity. But chemicals and oil refining are not the source of jobs that they were a

Plant labourer

few years ago.

The need to innovate and adapt stares much of central Scotland in the face. It is similar for all the regions of Europe which lie away from the geographical centre of the European Community. What can they do to ensure that they remain competitive in the European market? What can they offer which will compen-

sate for their location on the periphery?

The natural beauty of Scotland beckons tourists. Loch Lomond, Stirling and the Trossachs have a quality of their sains have a quanty of their own which cannot be repli-cated elsewhere. The challenge lies in the provision of facili-ties for the increasingly discerning tourist, and in good

> The tourist board and local councils are concerned to maximise the revenues and employment from tourism, without damaging its attrac-

tions.

Investment plans totalling from for the region are being finalised, most of them in the Loch Lomond area where topclass hotels are planned, with golf courses and conference facilities to attract the business market. Stirling will also soon boast a new hotel.

The shrinking industrial base means that the other main towns in the region —

main towns in the region -Falkirk and Alloa - cannot afford to be left out. Here,

some feature has to be high-lighted to persuade tourists to linger. Around Falkirk, it is Roman remains, in the Clackmannan district the mill trail focuses on the past and present wool industry. Falkirk, Stirling and Alloa

were once the centre of the coal mining industry. There are still iron foundries, a reminder of the role they once played in the development of

But the future has to be different. Towns like these all around Britain can no longer afford to take second place to the industrial dominance that gave them their livelihoods in the past. Image is important. They must be attractive to potential investors, and offer the sort of homes that the managers in the new techno-logical and service industries want to live in.

Falkirk is in the throes of smartening itself up. Pedes-trianisation and one-way traffic schemes are being introduced, to allow the central district to be revealed.

The region has not been a prime target for investment by American and Japanese com-panies, and this has been a disappointment to the authorities. Blame is scattered at the doors of various institutions, but Liv-ingston and Cumbernauld, close by, have provided stiff competition. Wang, located on the campus of Stirling University, is a notable exception. Set up five years ago, it has not, however, proved to be the cata-

follow. Service industries, apart from tourism, are not well represented in the region. The major exception is Scottish Amicable, which relocated its head office from Glasgow to a 300-year-old house about a mile outside Stirling many years

The decision was made after a senior manager who lived in the area heard of the opportunity. On the whole, it has worked well. New offices have been added in the town. But big decisions on relocation are not often made quite so simply.

Others have not followed. Office development has been minimal in the region. In Stirling, the natural centre for such development, demand has been satisfied mainly by the conversion of Victorian houses into offices

Now, the regional and local councils, with the support of the Scottish Development Agency, are attempting to establish an office market. A speculative business centre

Central Region of Scotland ments are in the pipeline. Rents are rising, and fuelling interest from the private sec-

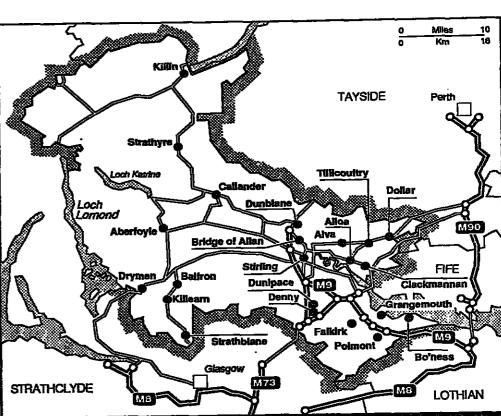
tor. But it is still early days. The authorities must play a major role in sectors where developer interest has not materialised. Demand for industrial units is strong, but the impetus to meet this demand is coming from the public sector. The third phase of the innovation park based around Stirling University is planned - a measure of the success of the original venture, which now houses about 20 small companies, most of them having research links with the

Stirling University is the newest and smallest in Scotland. Its short life has been highly vulnerable, and closure was threatened at one time. But it is now much closer than most universities to the sort of financial support structure

demand as the norm.

The Scottish Enterprise Foundation, set up within the university, has established a reputation for innovation and resourcefulness in its short life, and with a relatively small

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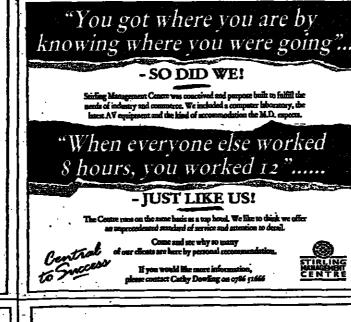
■ PAGE 2: INDUSTRY; TOURISM / ■ PAGE 3: STIRLING UNIVERSITY; SCOTTISH AMICABLE

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ticularly, is expanding again, following a massive retrench-ment in the early 1980s.

The relative robustness is welcome in Grangemouth, site of Scotland's largest concentration of chemical companies. There, market leaders such as BP Chemicals have embarked on major capital spending programmes, adding capacity notably in the specialty chemical sector.

The BP complex at Grangemouth produces a range of hydrocarbons, general chemicals, fine chemicals and solvents. Nearby, along the same stretch of industrial-park highway, competitors such as ICI and US-owned Rohm & Haas produce similar products, many of them used in the production and treatment of plas-

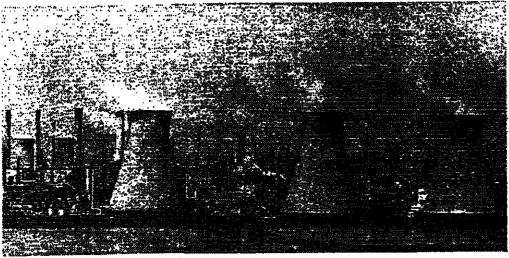
With a worldwide under-supply of ethylene and other chemicals, prices have soared. As a consequence, 1988 profits in the sector were at record levels, and have convinced management it is time, once again, to expand.

"The majority of the compa-nies are spending to grow their existing businesses." Michael Andrews, plant manager at Rohm & Haas in Grangemouth, says. "And much of it is technology-driven. We are eager to meet the customers' requirements, to manufacture improved versions of our existing products."

Still, the investments won't necessarily mean more jobs. The major downturn of the early 1980s, fuelled by over-capacity and slack demand. forced chemical companies to rationalise operations. Productivity per worker has increased, through lay-offs and computerisation. Although booming, the chemicals sector is getting by with far fewer workers than it employed in

The same is true in other heavy industries, such as oil refining. Meanwhile, other mainstays of Central Region, including textiles, went through similar rationalisation in the early 1980s, with a con-

sequent heavy loss of jobs. Hence an unemployment rate of nearly 12 per cent, higher than the Scottish average, despite at least three years of relatively buoyant economic growth. Regional development authorities recognise the need to encourage a shift away from the traditional, heavily cyclical industries. They hope electronics, timber processing, and spe-



INDUSTRY

Chemical reaction fails to create jobs

cialty manufacturing will take up the slack. For that, workers will have to learn new skills, and it is on training that local government is placing the

reatest emphasis. Not everyone believes that the future is dim for heavy industry. Optimists point out that most companies have rationalised as much as they can: there is little operational fat left to carve away. If demand continues to grow, so

should employment. But many analysts expect the boom times to end, perhaps as soon as 1990. In the chemicals sector, for example, generally slower growth in major European markets, coupled stream this year, will again squeeze margins.

Also, environmental concerns are increasing, even among those in Grangemouth whose livelihood depends directly on the belching furnaces of the industrial park. The costs of meeting ever stricter emission-controls will inevitably increase.

If there is a downturn looming, the real crunch will come the bulk chemicals sector, which is more cyclical than speciality chemicals. That is bound to hurt Grangemouth.

There are signs, however, that smaller companies in niche sectors could give the region an alternative to heavy

tral Region, are providing help to an array of small local firms. Land, services, loans, and grants are variously made available to companies likely to create or maintain jobs. At the same time, Locate in

Scotland, the country's foreign investment marketing arm, hopes to attract more North American, mainland European, Many analysts expect

the boom to end,

perhaps by 1990

and Japanese firms to the

egion. It points out that central Scotland is well served by motorways, has a good port at Grangemouth, and is a 30-45 minutes drive from two major airports, at Edinburgh and

A handful of foreign elecronics firms have established manufacturing operations, notably Wang of the US. But the sector is still small, and overshadowed by Silicon Glen near Edinburgh.

Among smaller firms, the mood is bullish. Caberboard, a West German-owned timberprocessing company formed from the assets of bankrupt Scottish Timber Products, is tical capacity, manufacturing chipboard at a large plant south of Stirling.

Company management expects the workforce to expand to nearly 500, from 350 currently, once an new manufacturing line is completed.

Tom Allison, operations director, says his main clients are furniture manufacturers and the building trade. He believes Caberboard can cater to their needs by producing higher valued-added products, manufactured to client specifi-

Like many smaller companies. Caberboard is more interested in the UK than in continental Europe, despite the promise of an internal free market from 1992.

The company's markets are dominated by foreign exporters the North Americans and Scandinavians particularly and Mr Allison says his goal is "to minimise the market share of the foreign companies." He adds: "There is more than enough on our platter here, 1992 notwithstanding."

Caberboard, like most indigenous Central Region companies, believes the district and regional councils are important to the development of Scottish industry. The company is get-ting support from Stirling council, for instance, in securing permits for a plant expan-

ing the factory to the main British Rail line. Robbie Taylor, managing director of family castings and foundry company Robert Tayfor Holdings, agrees. "The atti-tude of the local councils is entrepreneurial, and very sup-portive of private enterprise,"

to build a rail branch-line link-

he says. His group manufactures iron castings for a range of indus-trial clients, in the UK and, to a lesser extent in the US and mainland Eprope.

He, too, says business is booming. "The market is more buoyant at the top of the cycle than I can ever remember. And it is continuing for the forseea ble future, which for us, based on our order books, is about six months out.

But he believes slower growth is on its way. This time, however, he says man-agement has been careful not to over-react in good times by expanding too quickly, only to face major retrenchment when economic growth slows.

Mr Taylor, as a supporter of the regional and district councils, has concerns about the Government's plan to combine training and regional development activities under Scottish Enterprise. Critics have warned that the move could destroy the SDA, which until now has spearheaded indus-trial policy-making in the

country.
"The plan should not interfere with the best part of the SDA, Taylor says. "The SDA has, over 10 years, come to understand the manufacturing base of Scotland. It knows how to operate in a bureaucratic environment but in an entre

preneurial fashion."
Scottish business in general and in Central Region in par ticular, insists that regional development policies are neces sary if long-term improvement in the Scottish industrial base is to be achieved.

While good growth in chemi-cals, distilling, and refining is recognised as important, business and local government appear to agree that the region's future should lie in nigh technology, valued-added industries.

Skills are lacking in those areas, observers agree. Training schemes and selective grants for business are a solu-tion that has gained support in the region. It may not please Mrs Thatcher, but many business people in Central Region believe there is a role for the Government in forging a blueprint for Scotland's industrial

Mathew Horsman

TOURISM

Promoting the loch

TOURIST projects totalling around £70m are planned for the area that includes Loch Lomond, Stirling and the

Most is destined for the shores around the southern. end of Loch Lomond. Although the loch is known worldwide for its outstanding beauty, the hotel industry has been slow to realise its purely touristic potential preferring parts of Europe, where the climate is more predictable, or of Britain, where there is a marked business, as well as tourist,

demand. The inclusion of conference facilities in the planned projects bridge the gap. The plans include a £30m 200-bedroom hotel, which will have two international class golf courses; a £19.5m country ctub hotel, with golf; and the introduction of a catamaran-type cruise ship with year-round facilities, which is planned by an Anglo-Australian venture, followed by refurbishment of the Maid of the Loch.

These projects will be aimed mostly at the expensive end of the tourist market. But the tourist promoters in the region, which corresponds to the administrative Central Region, aims to attract a much wider market.

To some extent, it has already succeeded. Each year, 200,000 people visit Stirling Castle alone. The promoters believe this could go up to 750,000 with the addition of other attractions to the

medieval castle. Stirling council, with the help of consultants, has drawn up an ambitious plan for a number of projects in the old town, including a funicular railway to the castle. This part of the plan was called in by the Scottish Office (the castle is a national monument) and is correctly under review by the Scottish Development

The plans aim to attract private sector investment, with the council funding infrastructure, and the environment. The management of the castle would be contracted out to the private sector. The council says that up to 500 jobs could

Tourist developments



The statue of Robert the Bruce, at Stirling

submission to the European Regional Development Fund for financial assistance. The region, once heavily industrial, is seeking alternative strengths on which to build its economy of the future. Tourism employs around 3,500 (full-time equivalents, many of the jobs being part time), which the current investment plans for the area would boost by another 1,000.

The tourist board and the councils plan many lower-key, but potentially valuable, contributions, which will: attract more visitors, and (vitally) encourage them to stay longer. The short stay holiday has become a feature of the growth of British tourism. Many visitors to the area come from adjace regions, and remain only for the day. Many others pass

Highlands, stopping to sample its own particular attractions. To persuade them to linger, accommodation and general facilities need to be constantly improved. The addition of bathrooms in guesthouse and bed-and-breakfast accommodation, improvements to caravan parks (some now have swimming pools) are important in making the region attractive to families as well as to the conference

The past is being re-created to appeal to the growing leisure demands of the present. An old mill at Killin. is being converted to accommodate the St Fillan "healing stones", which have a 800-year history; an old church will become the home of a new "Rob Roy and or a new "Rou Ruy and Trossachs" centre; a wool centre is being built up, which will demonstrate all the skills

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of sheep farming. The Roman occupation of entral Scotland is a theme that could be relevant in the area now covered by Falkirk, the industrial town in the east of the region. The possibility is even being explored of linking tourism to the petrochemical complex at Grangemouth.

Good-quality accommodation is vital. Considerable scope remains for the development of budget hotels, and hotels which can offer comfort all the year round, in the manner of the old coaching inns. The region has spectacular scenery in shundance. To capitalising on this, in response to the surging demand for leisure will require many skills. Tourism needs good marketing. The projects need financial backers. The region is moving in the right

Hazel Duffy



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The periphery fights back

The region also has two technical colleges which provide a range of training opportunities

They are the main vocational training centres in the region. Training is a prime requirement in central Scotland. Many skills relevant to manufacturing industry have become redundant. At the same time, surveys have high-lighted skills shortages in many sectors, including elec-

tronics and chemicals. The chamber of commerce for central Scotland, with local businessmen, is bidding to become one of the pilot agen-cies that will combine training and economic development under the arrangements which the Government proposes for the new Scottish Enterprise. A budget of £16m-£18m is estimated for the training side of

the project; to which economic development as now carried out by the SDA would possibly be added later.

Central Region became eligithe European Regional Development Fund last February, when it was defined by Brus-sels as an area that had suffered industrial decline and would benefit from help in making the adjustment to a more varied economic base.

"Bressels money would provide a significant boost to the efforts of the local authorities. The programme identifies a range of schemes, including resources to help the small business sector to expand, which would be carried out through enterprise trusts; the improvement of tourist facilities and marketing of tourism;

improvements to roads, ports, public transport; and the land-scaping of industrial eyesores.

Assistance with training has to be channelled through the Social Fund, in Rec an outline was included in the submission. It it oriented towards meeting the skills shortages and providing employment for school-leavers, young people, and disadvan-

The public and private sectors in Scotland have established a new harmony in the last few years. They have come together to bid for a better future. In Central Region, there is still much to achieve. But there is also a solid base of industrial and educational strength, on which to test this partnership. It will be watched with interest.

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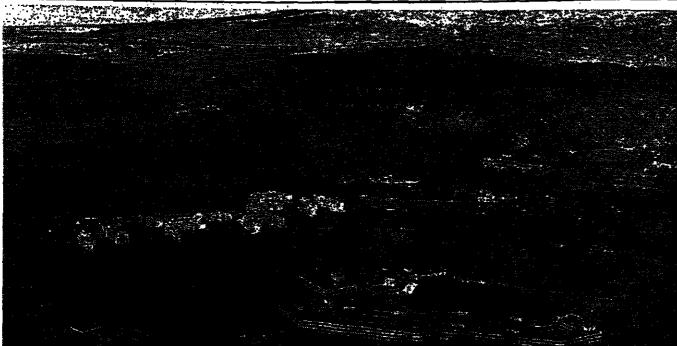
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The campus of the University of Stirling - a home of business and innovation

Mathew Horsman on the enterprise of Stirling University

Sustained by its expertise

one example.

funds, has guaranteed a future

for the university. Although the administration is con-

The Institute for Retail

Studies benefits from

close ties with the

private sector

cerned about the Government's

mderfunding of universities in general, there is little doubt that Stirling will get even big-ger in the next three to five

Already, 3,200 students

attend, and each year about 12 000 apply for 650 fully-

funded spaces. Alan Forrester, press and alumni relations offi-

cer, believes the university could increase that number

easily, if the Government agrees to provide extra fund-ing. In anticipation, new resi-dences are planned.

Even if additional state money is denied, the university

intends to expand its short

courses, summer courses, and special business training pro-grammes. That will insure a

steady increase in the number

The short courses, particularly, attract interest. With

help from the Professional, Industrial, and Commercial Updating (Pickup) programme, funded in part by the University Grants Committee, Stirling offers short vocational courses that the committee of the Committe

12,000 apply fo

and trees, with a spectacular view of the historic Wallace Monument, the University of Stirling has made a virtue of ping \$200m worth of lap-top independence and innovation. Faced with a 25 per cent cut

in its government grant in 1981, the governing body embarked on a campaign to save the university from possible closure, tapping the private sector for research and development grants, and aggressively marketing the campus to part-time students, particularly from business.

The results have been impressive. In 1979, about 95 per cent of the university's operating budget came from the Government's block recurring grant. By last year, the figure had fallen to 55 per cent, with the remainder coming from research grants, special fees, and from the private sec-

The university is woolng private companies to set up endowed chairs

tor companies Stirling has set up to market some of its exper-

At the same time, the university has secured a reputation as a major business school with the opening last year of the Stirling Manage sion of full-time courses in subjects such as accounting, finance, and economics. The Management Centre, built with help from Stirling District Council, attracts students from around the world, and is an important resource for local companies, offering special, tallored courses on a range of top-

ics important to business.

The Management Centre will be expanded this year, with the addition of a new building for classrooms. The university is also wooing private companies to set up endowed chairs. National Westminster Bank has already provided money for a chair in Japanese Busi-ness Studies, while Wang, the US computer company, backs a graduate student Fellow each

Wang is an example of the sort of synergy that Stirling's principal, Prof John Forty,

hopes to nurture. The company has established manufacturing operations on a corner of the campus, assembling and shipcomputers annually for the European market.

Wang's general manager at the Stirling plant, Ronnie Gil-fillan, cautions that "the University was not the deciding principle for locating here". Wang was looking for additional manufacturing capacity in the UK, and was attracted by the low cost of setting up in Central Scotland

"But the university has been very helpful," Mr Gilfillan says. "We have an excellent relationship, and use each

Local officials clearly hoped that Wang's decision to invest in the region might lead to an explosion in electronics manu-facturing. After all, Wang was one of the prime catelysts for the regeneration of ageing tex-tiles centre Lowell, Massachusetts, now a thriving high-tech centre. The regional council even invited officials from Lowell to address local business earlier this year, to explain how Central Region could duplicate the Lowell mir-

While there has been no rish by US and Japanese firms to establish operations in the area, the university has taken the lead in creating the conditions for new investment by

An innovation park, established by the Scottish Development Agency, Central Regional Council, and the university, abuts the campus proper, and is home to 20 small firms, notable for the contral firms and the contral firms. bly in hiotechnology and electronics. Metropolitan Property

built the centre.
At the same time, the University of Stirling has estab-lished its own private-sector operations, most of the them off-shoots of the well-respected Aquaculture department. Stir-ling Salmon and Stirling Aquatic Technology are two such companies.

The university's innovative Institute for Retail Studies also benefits from close ties with the private sector. Companies such as Marks & Spencer, Tesco, Metal Box, and United Biscuits have provided finan-cial help to launch the departcial help to launch the depart-ment, which provides useful and Software Engineering to

research for retailers at the Acqualculture and Public Rela-

same time as it trains students. The university has been a trend-setter in its traditional At the same time, grants from both state and private courses as well. Students work groups for research and devel-opment are set to grow. Last on a semester basis, with con-tinuous evaluation. That year, about 59m was provided to Stirling staff to fund research and development bility in the selection of

it has also added specialist The university is also studies unavailable in many much larger institutions. These unlikely to lose the full backing of district and regional include Film and Media and councils. Local officials believe a major educational institution Public Relations, Stirling offers a number of intriguing inter-Central Region is a magnet disciplinary degree pro-grammes, allowing students to mix and match. A combination for students and business. Quite simply, they view the university as a catalyst. It is a role the University of Stirling of Business and Japanese is is only too pleased to take on. The range of programmes, coupled with Stirling's aggressive search for private-sector

namies to relocate most, or tions. The boom conditions in the UK life assurance industry over the last few years have caused life companies to encouraged by very high mid-

usually to look for and acquire buildings or sites within the near vicinity. However, the assistant general manager at the time, Bob Jenkins, lived at Bridge of Allan, near Stirling, from where he commuted to Glasgow. Consequently, he learned that Craigforth was on the market, and the company

Most life companies seeking crossed off Craigforth from Even so, the lack of public University and the local organ-their list of suitable sites. At transport obliged Scottish isations. So there are no wor-

FOR OVER three centuries, Craigforth House has nestled beneath the Crag, a basalt rocky outcrop that is a minia-ture of the Stirling Castle rock about a mile away.

The house is situated amid fields, farms and the meandering river Forth, with views over the Carse of Forth against a background of the Ochil

Hills. a Scottish stately home. But for four decades it has housed the administrative head office of one of Scotland's major life companies, Scottish Amicable

Life Assurance Society. During the last 20 years, it has become common for life expand beyond their physical limits, and to seek additional accommodation — a move

But invariably relocation has been to another city site, rarely to a rural setting. The story of Scottish Amicable's move to Craigforth is as fascinating as the rest of the house's history. Pressure on office space came early to Scottish Amicable in the years after the second world war. when the company's head office was situated at 35 St

Vincent Place, in Glasgow. Staff numbers rose from 80 to 200 within five years; but the first consideration, that of taking over the building next door, was not available.

The next consideration is bought it for £5,000.

relocation would soon have



With 90 acres of ground, there were no space restrictions on development

PROFILE: SCOTTISH AMICABLE Life in a stately home

the time, when the M9 motor-way had not even been consid-ered, the place was somewhat isolated, both from the local labour-force and from Glas-

Nevertheless, it was considered suitable for one immediate purpose - as a storage facility for records. The rural setting looked ideal for this purpose at a time when the wartime risk of loss was still prominent in many people's

From there, the centre simply expanded; and, because the purchase included 90 acres of ground, there were no space restrictions on development. First, the pensions department moved. Then the first computer purchased by Scottish Amicable was installed in the

old stable block - those early models required a solid floor.

As the operation grew, staffing presented a problem. But there was no shortage of people coeffing proplement particles. ple seeking employment, particularly during and since the recession years, which saw a succession of manufacturing operations closed down in the area - and the company oper-

ates on a Glasgow, rather than a local, pay scale. Even so, the lack of public

transport, ensure adequate parking space, and provide lunch facilities, in order to get the staff it required.

The complex of office buildings has since grown on the area surrounding area the house. Craigforth House itself now contains the recruitment. training and staff operations - from where employees can still see rabbits playing and deer grazing on the lawn at

Other parts of the the office complex, which has grown over the years, house not only sions and computer facilities, but also new business. premium collection, claim payments, and the group's print-

ing requirements.
Scottish Amicable gets almost 90 per cent of its business from south of the Tweed; and the economic success in the south has spilt over to this part of Scotland, in that there are now 850 employees at Craigforth (650 of them women), while at least 15 coaches take employees to and

from work. The company has excellent relations with the district and regional authorities, Stirling

the sort of success problem that causes sleepless nights for other Scottish life companies. Scottish Amicable knows where it will site its next

office block when it is needed.
The company's achievements would no doubt have the approval of John Callender, master armourer to King James VI of Scotland. He was owed a substantial sum of money by the king, and had sought payment without suc-cess. When the king became James I of England, James Callender undertook the journey to London to pursue his

In London, a member of the retinue settled the claim, but paid out the required sum in English, not Scottish, pounds - and English pounds were worth many times the value of Scottish pounds.

The proceeds of this mistake provided the funds to enable James Callender and his descendants to buy the lands and build the first Craigforth

English money is now enabling the present owners to expand on this initial achieve-

Eric Short

IT'S EASY TO SEE THE BENEFITS

forward-looking companies. parts of the United Kingdom.

WORKFOR

RESEAR

How to meet the challenges of the 1990's - a question constantly being asked by all

Unfortunately, it is one not easily answered. Companies in Central Region, however, have a head start on those operating in other

Firstly, operating costs are relatively low. Property rentals and land costs are highly competitive. A pool of skilled labour is readily available and an excellent transportation network allows fast and efficient sourcing of raw materials and components and markets to be easily accessed.

Secondly, companies are surrounded by outstanding R & D facilities and opportunities to utilise some of the country's finest graduates. Seven of Scotland's eight universities are within an hour's drive of the region, while at Stirling University Innovation Park sites and units are available for companies at the leading edge of technology.

And thirdly, the area's healthy mix of companies means unique opportunities to develop Just In Time manufacturing techniques and joint venture and subcontracting contracts.

Diversity is the key to the Central economy. Traditional and indigenous businesses operate alongside multi-national giants. Major companies such as Wang, ICI, Scottish Amicable and British Alcan all profit from the Central experience.

For further information on how Central Region can help your company expand into the 1990's call or write to David Moffat, Industrial Development Department, Central Regional Council, Stirling FK8 2NH. Tel: 0786 73111 Ext. 475. Fax: 0786 50802.



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Swiss Air Transport Company Ltd.

Notice to Holders of the Warrants of the 8% US\$ Bonds with Warrants 1984—91 of Swissair Finance (B.V.I.) Limited, **British Virgin Islands**

We refer to the capital increase of Swissair, Swiss Air Transport Company Ltd. and the corresponding notice to the warrant holders of April 7, 1989.

According to the description of the warrants the purchase price of Sfr. 958.- per bearer share of Swissair in the nominal amount of Sfr. 350 each has been reduced

The adjusted price is effective as of May 22, 1989.

May 30, 1989

CONSTRUCTION CONTRACTS

Loudwater offices project

Wilson (Connolly) Properties has awarded a contract worth in excess of £13m to KYLE STEWART to design and construct 'Kingsmead', a development of five office buildings at Loudwater, near High Wycombe, Buckinghamshire.

The scheme comprises three two-storey and two three-sto-rey office buildings totalling 165,000 sq ft. Each will have a car park and will be in its own landscaped surroundings.

Construction generally is of concrete frame with brick cladding and tiled structural steel roofs. All buildings will have fully accessed pedestal raised floors and suspended ceilings.

Kyle Stewart will install internal and external lighting. The buildings will be air condi-

Work has begun on site and is due for completion April

Scottish by-pass scheme

Evered Quarry Products (Scotland) subsidiary, TRAC-TOR SHOVELS TAWSE, has been awarded a \$7.4m contract to construct the Inverurie

The works consist of 1.24 miles of dual carriageway and 4.04 miles of single carriageway, together with two miles of side roads, a four-span bridge across the river Don, a three-span bridge across the new trunk road and four

underpasses.

Evered Scotland will derive additional benefit from this contract through subsidiary John Fyfe. The hardrock quarry and blacktop plant at Toms Forest is two miles from the south end of the project and other Fyfe resources in the area, including sand and gravel at Mill of Dyce, concrete prod-ucts at Kemnay, and readymix

Muted response to roads Green Paper

By Andrew Taylor, Construction Correspondent

The construction industry has schemes should be found. given a cool reception to Gov-ernment proposals aimed at making it easier for developers to build private toll roads in

The plans were announced last week by Mr Paul Channon, Transport Secretary, in a consultation paper "New Roads by New Means".

The Secretary of State invited bids from private sector companies to increase road capacity between Birmingham and Manchester and to construct a Birmingham northern relief road. Tarmac is expected to be among the bidders.

Mr Channon proposes that the Transport Secretary should he given authority to approve privately financed road schemes, subject to a public inquiry. At present privately financed roads have to be approved by acts of Parlia-

A hybrid bill was used to authorise the Channel tunnel and the privately financed road toll-bridge being built across the river Thames at Dartford. Mr Channon said parliamentary time was limited and alternative ways of approving

Joint developers London &

Edinburgh Trust and Balfour Beatty Developments have

awarded phase 2 of their Glen-

gall Bridge project in the Isle of Dogs to MOWLEM MAN-AGEMENT. Valued at £28m, it

Construction companies, however, say the proposals could lead to higher costs and even worse planning delays than at present, if public inqui-ries were to be held into most

Mr John Fletcher, a director of Trafalgar House, the con-struction, property, shipping and hotels group, said: "There will have to be some changes if the private sector is going to respond effectively to this ini-

Mowlem, which unsuccessfully bid against Traflagar House to build a privately financed Dartford crossing, is concerned that companies which have invested money in innovating schemes could find the project carried out by another company: Mr Channon says in most

cases schemes will have to be open to competition to ensure One chairman of another

leading construction company said: "These proposals offer very little incentive to private companies particularly after the Government has just dou-bled to £12bn the money avail-

Business village in Docklands

struction of 11 blocks up to

eight storeys high facing east-wards across Millwall Dock

and opposite the new London

Arena. It will have 124,000 sq ft

pally be of in situ reinforced

able for the public roads pro-

The Federation of Civil Engineering Contractors, which represents most of Britain's road-building companies, said the Green Paper "does not on first reading seem to increase by much the opportunities for increase in the component of the component o involving private finance on terms that would be attractive to contractors or bankers." The consultative paper also pro-DOSES TO:

•allow private developersto set their own tolls on routes other than river crossings, where there was sufficient competition from other roads. opermit government to com-

developers. • ease the rules by which individual private sector schemes are judged on value for money against publicly funded road schemes.

opermit developers to develop car-only toll lanes on busy motorways.

Mr Channon ruled out shadow tolls where the Government would pay an agreed sum for each car using a privately financed road.

clad predominantly in brick

and reconstituted stone, with areas of curtain walling. Roofs

Oxford science

HOMES

PROPERTIES

CONSTRUCTION

021-711 1212

park WILCON CONSTRUCTION has commenced work on the 275,000 sq ft Oxford Science Park at Kidlington, Oxford Phase I involves the construction of two 16,000 so ft two-storey blocks and one three storey

Bryant

Group

block of 44,086 sq ft - some 76,000 sq ft in total.

Each block will have a steel and pre-cast concrete frame with a steep pitched tiled roof with a steep pitched filed roof and overhauging eaves. Elevations comprise detailed cavity brickwork and polyester coated aluminium windows and doors with sealed double glazing. Each block is fully air conditioned, has raised modular access floors and suspended accilings and is serviced by ceilings and is serviced by either one or two lifts. Work on the £6.5m negotiated building contract commenced in April and is scheduled for completion in March 1990.

Regional offices in Leicester

SIR BOBERT MCALPINE AND SONS has been awarded a £6.3m contract by London and Manchester Assurance to build regional offices in Leicester.

Located on a 2,500 sq metre triangular site in South Albion Street, the layout of the sevenstorey office block is of a stepped design. Supported on piled founda-

tions, construction of the build-ing will be of reinforced con-crete frame and floors. The external walls will be brick clad with aluminium colourcoated windows under clay tiled roofs. The ground floor will be a car park.

The contract also covers the fitting out of the office block which will provide a total floor

area of 5,100 metres.

It will have raised flooring and a grid suspended ceiling system. A conference room and full canteen and kitchen facilities will also be provided.

by-pass, on the A96 trunk road, for the Scottish Development

concrete, will find outlets in this project.

will mostly be pitched with artificial slates and fitting out to developers standard. Exca-vation for the car park will be in difficult ground conditions requiring sheet steel piling. of office space, 55,000 sq ft of business and retail space, 25 flats, a waterside restaurant is similar to but larger than phase 1 and the development has been described as "London and car parking at basement level for 147 cars. Work on site has started with completion scheduled for December 1990. Docklands only business vil-The buildings will princi-

Building regional processing centre

Phase 2 comprises the con- concrete frame construction,

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the business and assets of Paleoservices

Repairs to Merseybank Estate in Manchester, an extension to Urmston Grammar School in Trafford and a new DHSS regional processing centre are among £14m worth of contracts won by LAING NORTH WEST.

comprising:-

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Facsimile: 01-831 1133

approx 7,500 sq. ft.

* A branch office in Aberdeen

Work on the regional processing centre at Ashton in Makerield began recently. The 25m contract to design and construct the building was placed by the Government's

A-filam contract awarded by Manchester City Council for Merseybank Estate includes prior to paint repairs involving new doors and windows, cavity and loft insulation and pointing at 446 homes.

A Canadian Opportunity

No. : Thomas Britis & Walnuty Inc. : Receiver and Ma is seeking purchasers for the assets of Propetro Corp.

Propetro's total proved reserves, located mainly in the
province of Alberta, Canada, are approximately:

Oil (MSTB) Natural Gas (MMCP)

1_502.8

Natural Gas Liquids (MSTB) For further information please contact Kelly Chow at (403) 262-2455, for number (403) 266-2455, or Harold Fidner at (416) 868-8899, fax number (416) 868-8921.

Thorne Ernst & Whinney The Solvency Group.

Bow & Whitney

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Times, One Southwark Bridge,
London SEI 9HL

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CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Futures hedge the interest rate question

HOW DOES the market view the future of London interest rates, following last week's decision to increase base rates and Thursday's amountement of uninspiring April UK trade figures?

 $\mathcal{A}_{\mathcal{H}_{\mathcal{A}}}$ FIFTH.

Owner.

Ciunal of

Park

Trucing

figures?
Even before the Budget back in March, Chase Investment Bank had suggested 15 per cent base rates could be required to protect sterling. Since then several City commentators, including Mr Roger Bootle, chief UK economist at Midland Montagu, and also the research team at S.G. Warburg Securi-ties, had forecast that base

rates could touch this level. Mr Ian Harwood at S.G. War-Mr Ian Harwood at S.G. War-burg says: "The upside risk remains, posed by both a vul-nerable and infliction prone currency and by stubbornly buoyant wage inflation." He has, however, softened his view a little, and now suggests that 14 per cent is likely to prove the top, although noboby will be sure for a few months will be sure for a few months

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STERLING INDEX



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Mr Nick Parsons at Union

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MONEY MARKETS

Dollar remains firm in subdued trading

Yen per 1,000: French Fr. per 16: Lita per 1,000: Reigian Fr. per 100.

THE DOLLAR was confined to a narrow range in quiet trading yesterday, with volume restricted by the close of financial centres in the US and UK. The US unit was fixed in Frankfurt at DM2.0101 after electing explicit in Tokym at closing earlier in Tokyo at DM2.0130.

There was no intervention by the West German Bundesbank but the Bank of Japan was active in Tokyo, interven-ing on several occasions to sell the dollar. Nevertheless, the

UK clearing bank base landing rate 14 per cent from May 24

US unit retains its firm under-In Frankfurt the Bundes-bank announced that it will not be holding a news conference after a meeting of the cen-tral council on Thursday. Recent pressure on the D-Mark has given rise to suggestions that interest rates in Germany

may be increased, but this now is seen as being less likely, at least for the time being.

The dollar moved up to

The dollar moved up to DM2.0130 during the morning after comments by Mr Karl Otto-Pöhl, Bundesbank president, that the central bank is aiming to steady the D-Mark by keeping domestic prices stable. This was seen as a possible move away from currency intervention as a means of sup-porting the D-Mark.

In Zurich, the Swiss National Bank set its Lombard rate at 9% per cent, up from 8% per cent on Friday. However, the Swiss franc was weaker against the dollar, the latter moving up to SFr1.7560 from

SFr1.7360. The Italian lira lost ground against the dollar in Milan. The US unit was fixed at L1,454 compared with L1,423.5 on Friday. However the weakness of the D-Mark pushed it to its lowest fixing level against the lira since October 1987 at L723.75 from L724.75.



The Hokkaido Electric Power Co., Inc.

Japanese Yen 20,000,000,000 Floating Rate Notes 1992

Interest Rate Interest Period

100

5.15% per annum 30th May 1989 30th November 1989

Interest Amount per ¥10,000,000 Note due 30th November 1989 ¥259,616

But the question on whether rates are likely to go higher is perhaps best addressed to the short sterling contract on the London futures market (Liffe), and the answer there is somewhat ambiguous.

Mr Simon Denyer at GNI says short sterling for September delivery is cheep to cash. He points out that the effective yield curve is flat at 13%-13% for money from three to six months, and this does not indicate any great confidence. It certainly does not recommend buying short sterling futures.

The price of the contract at the end of last week indicated just how bear six sentiment is in London and that the price of the contract text in sentiment is in London and that the price of the contract text in the price of the contract text in the price of the co Mr Parsons thinks that the market is so short that there remains scope for an uncomparable squeeze, forcing traders to cover their positions. He says this could push the contract up to 86.80, but any rally is likely to be short-lived. The rise will result in short positions being squared, enabling the market to re-establish positions and resume a hearish tions and resume a bearish tact. This could result in a test Discount believes the performance of the short sterling of technical support at around

CURRENCY MOVEMENTS 93.4 71.9 103.0 106.1 195.5 102.3 111.6 104.8 109.5 98.6 98.3 142.1

OTHER CURRENCIES

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Frankfurt Park Park Amsterdam Tokso Sintends Granes Granes Granes Dublin	63-66 63-71 63-43 44-43 12-122 63-7	68-882 8-81-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7-7	71-72 84-84 9-94	71-71, 89-88; 74-81, 750-7-60 52-54, 124-124, 84-84, 94-94	71-75 81-9	6.50 7.25 -
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L	ONDO	N MC	MEY	RATE	S			
May,26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year		
interbank Offer interbank Did	14 8 135 135	134	11111 / 11111111 5 11111 / 111111111 5 11111 9	2022 - 43 222 49 6800 2222 - 43 222 49 6800	111111 - 1111 -	134 137 137 134 134 134 134 134 134 134 134 134 134		
Treasury Bills (self); one-month 13th per cent; three months 13th per cent; Bank Bills (self): nor-month 13th per cent; three months 13th per cent; three months 13th per cent; Treasury Bills; Average tender rate factors of the period by the								

BARK OF	ENGL	AND TI	REASURY BIL	L TEN	DER				
	May		<u> </u>		May 19				
Bilison offer Total of applications Total affocated Minimum accepted bid Whotment at refutacion level	500 0.42 500 96.6 267	2m £1512	Top accepted rate of discount Average rate of discount Average yield Automat, no offer at meet tend iff belower accepted bid 192 d	11 2 24.62	% 12.4742% % 12.4710% % 12.8073% £500m				
WEEKLY CHANGE IN WORLD INTEREST RATES									
ONDON	May 25	change	NEW YORK	May 25	change				
Reserates Josephane Josephane	M HE BEN SELECTION OF THE SELECTION OF T	#1.8 #1.857 #1.857	Prime rates Federal Funds Saleth, Treasury Brills Saleth, Treasury Brills Saleth, CD FRANKFURT Loophard	111 ₂ 91 ₆ 8.81 8.98 9.60	tinck'd Unstr'd +0.16 +0.16 Unstr'd				
Band 4 Bills	THE PERSON	4,54544.	One onth. Interbank	1305 7305	Unch'd Hach'd +0.2875				
One worth Bills	51. 5 <u>2</u>	=	One with Interhank	725 88, 89,	Chack'd				
One month	84	*	One masth	121, 121,	them'd				
One month	. 强	+0.05 -0.06	One recett	85 95	-14 -14				

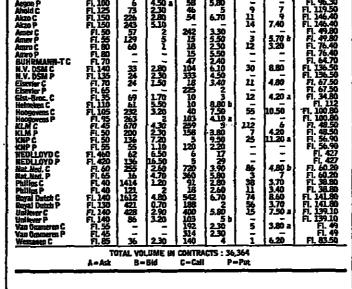
FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

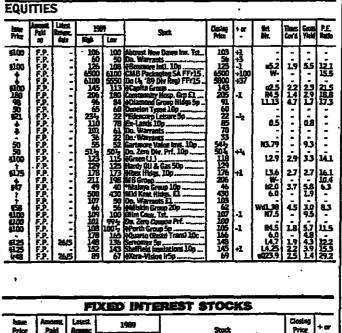
	<u> </u>		_	_	_								
86.25, and a fall to the region of 86.10-20.	NATIONAL AND REGIONAL MARKETS			RDAY MA	/ 26 1989			THURS	DAY MAY 25	2909	DOL	LAR INDE	<u> </u>
A price of 86.00 discounts the present base rate level of 14 per cent, but this is unlikely to be	Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yleid	US Dollar Index	Pound Sterling Index	Lecal Currency Index	1989 High	1989 Low	Year ago (approx)
tested unless there is another loss of confidence. This is sim-	Australia (68)	132,70 118,44 130,20	-0.9 +2.9 +1.6	123.81 110.51 121.48	116.28 121.00 132.45	- 1.0 + 0.7 + 0.1	4.89 2.13 4.14	133,95 115,11 128,16	125.70 108.01 120.26	117,47 120,17 132,27	157.12 124.16 137.10	128.28 92.84 126.33	140.67 87.46 120.02
ply because the cost of carry- ing a position in the futures	Canada (125) Denmark (38)	136.66 171.57	+0.7 +0.6	127.51 160.08	119.24 179.56	+0.3	3.32 1.87	135.68 170.50	127.31 159.99	116.83 180.24 132.34	138.05 181.03 159.16	124.67 165.35 125.81	115.52 128.32 133.90
market is much smaller than in cash, and only represents a percentage of the total posi-	Finland (26) France (128) Wast Germany (100)	144.06 116.99 81.69	+1.6 +0,7 +0.6	134,41 109,16 76,22	132.78 123.60 84.47	+0.3 +0.3 +0.3	1.58 3.07 2.40	141,84 116,20 81,24	133,09 109.04 76.23	123.22 84.26	122.79 90.40	112.57 79.56	92.71 74.43 99.88
tion, known as the margin cost. This advantage is worth	Hong Kong (49) Ireland (17) (taly (97)	118.31 138.22 76.19	+0.5 +0.5 +1.0	108.52 128.97 71.09	116.17 144.88 81.77	+0.5 +0.2 +0.4	4.65 2.91 2.60	115.70 137.47 75.45	108.57 128.99 70.80	115.58 144.50 81.42	140.33 151.36 86.88	111.80 125.00 74.97	128.44 69.15
about 10 to 15 basis points on the price of the contract and	Japan (455) Majaysia (36) Mexico (13)	180.66 177.61 218.83	+0.6 +1.5 -0.8	168.56 165.71 204.18	161.47 183.97 589.89	+0.2 +1.3 -0.8	0.47 2.59 0.85	179.54 174.94 220.49	168,47 164,16 206,90	161.10 181,58 594.36	200.11 184.26 220.49	177.72 143.35 153.32	168.11 136.11 148.93
should insure that if there is no further threat of higher base rates the contract remains	Netherland (42) New Zealand (24)	114.62 65.97 181.51	+ 0.3 - 1.5 + 0.7	106,94 61,56 169,35	117.18 58.84 175.23	+0.0 -1.3 -0.4	4.39 6.27 1.52	114.29 87.00 180.31	107,24 62,87 169,19	117,24 59,61 175,90	122,22 76.02 198.39	110.63 65.97 139.92	101.55 81.44 119.36
above 86.10. The price of short sterling	Singapore (25)	157.17 132.84	+1.5 +2.6	146.65 123.94	141.42 120.73	+1.4 +1.7	1.91 4.37	154,88 129,47	145.33 121.49	139.53 118.67 140.28	160.35 144.86 156.17	124.57 115.35 143.14	112.57 130.11 150.17
will remain a good barometer of the City's interest rate view.	Spain (43) Sweden (35) Switzerland (57)	149.23 159.31 69.45	+0.4 +0.6 +0.8	139.24 148.64 64.80	140.47 157.19 74.74	+0.1 +0.0 -0.8	3.56 2.19 2.49	148.67 158.42 68.87	139,51 148,66 64,63	157.19 74.98	162.00 79.76	138.45 67.81	123.96 75.72
but it would be wise to let the the present technicalities of	United Kingdom (314) USA (558)	141,35 131.09	+0.9 +0.7	131.88 122.31	131.88 131.09	+0.3 +0.7	4.36 3.41	140.14 130.14	131.50 122.12	131.50 130.14	153.33 131.21	134.53 112.13	137.75 103.36 106.99
overwhelmingly short posi- tions unwind before deciding whether 14 per cent will hold,	Nordic (125) Pacific Basin (678)	114.87 151.40 176.20	+0.8 +0.7 +0.6	107.18 141.26 164.40	113.38 146.40 157.78	+0.2 -0.1 +0.2	3.59 1.95 0.70	114.00 150.35 175.19	106.97 141.08 164.39	113.13 146.59 157.46	121.70 155.61 194.72	112.65 137.95 173.87	116.68 164.37
Colin Millham	Euro — Pacific (1683) North America (683) Europe Ex. UK (691)	151.69 131.33 98.39	+0.6 +0.7 +0.7	141.53 122.54 91.80	140.07 130.35 101.93	+0.2 +0.7 +0.2	1.59 3.41 2.96	150.73 130.38 97.71	141.44 122.35 91.69	139.78 129.44 101.76	164,22 131,50 105,29	149.40 112.79 96.30	141.43 104.01 87.95
:	Pacific Ex. Japan (223) World Ex. US (1881) World Ex. UK (2125)	122.73 151.02 143.05	-0.2 +0.7 +0.7	114,51 · 140,91 133,47	111.63 139.36 136.99	-0.3 +0.2 +0.4	4.58 1.67 2.04	123.02 150.04 142.12	115.44 140.79 133.36	111.95 139.05 136.44	137.65 162.77 146.04	122.73 148.80 138.08	119,24 140,42 125,00
OTHER CURRENCIES	World Ex. So. Af. (2379) World Ex. Japan (1984)	142.95 124.95	+0.7 +0.7	133.38 116.58	136.61 123.66	+0.4 +0.5	2.23 3.53	142.00 124.06	133.25 116.41	136.09 123.04	146.65 126.02	138.82 114.51	126.09 105.97
Arotatina 302.70 - 303.05 189.90 - 190.00	The World Index (2439)	142.89	+0.7	133.32	136.50	+0.4	2.24	141.93	133.18	135.97	146.51	138.83	126.12

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LONDON RECENT ISSUES



	FIXED INTEREST STOCKS									
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Equatorial Bank pic

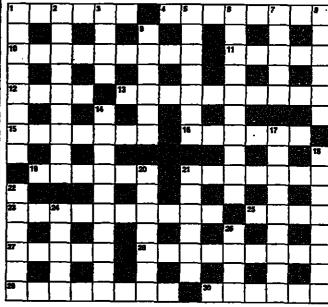
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JOTTER PAD

CROSSWORD

No.6,946 Set by TANTALUS .



ACROSS
1 French painter read novel at home (6) 4 Scott's senior monk (3,5)
10 Cooked pie – repast before another meal? (9)
11 Vegetable head (5)

12 Leave out nothing with German (4) 13 Opposition to Second World

War movement (10)

15 Oriental father exchanges lute for shoulder-piece (7)

16 According to Chesterton, a wicked shopkeeper (6)

18 Loves new road to the east — starts striding (6)

21 Trains swimmers? (7)

23 I dread boss moving pieces of furniture (10)

23 I dread boss moving pieces of furniture (10)
25 Certain to meet bridge player by river (4)
27 Horrify a gentle friend (5)
28 Before writing there is a rule (9)
29 Gives up hope when spread is rulned (8)
30 Tolerates part of football ground (6)
The solution to last Saturday's write provides 13 against head (3)
20 Run to see son with ten dweller (7)
21 "Jealous in honour, — and quick in quartel" (Shake speare) (6)
22 Holy for example (6)
23 A short tale so to speak (4)

(10)
17 It improves delivery (9)
18 It provides 13 against heat (8)
20 Run to see son with tent dweller (7)
21 "Jealous in honour, — and quick in quarrel" (Shake-

1 Mythical monster and conti-

nental fish (8)
2 Rap minder getting con-

fused? (9) 8 Herriot always included a small amount (4)
5 Female call could be a catch

6 A sign of being possessive?

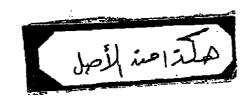
(10)
7 I go into farm building to collect child (5)
8 Nurse upset about offer (6)
9 Going up to get a clue (6)
14 Two girls acquire organ stop (10)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 10.

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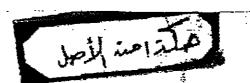
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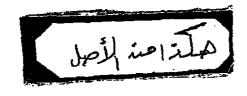
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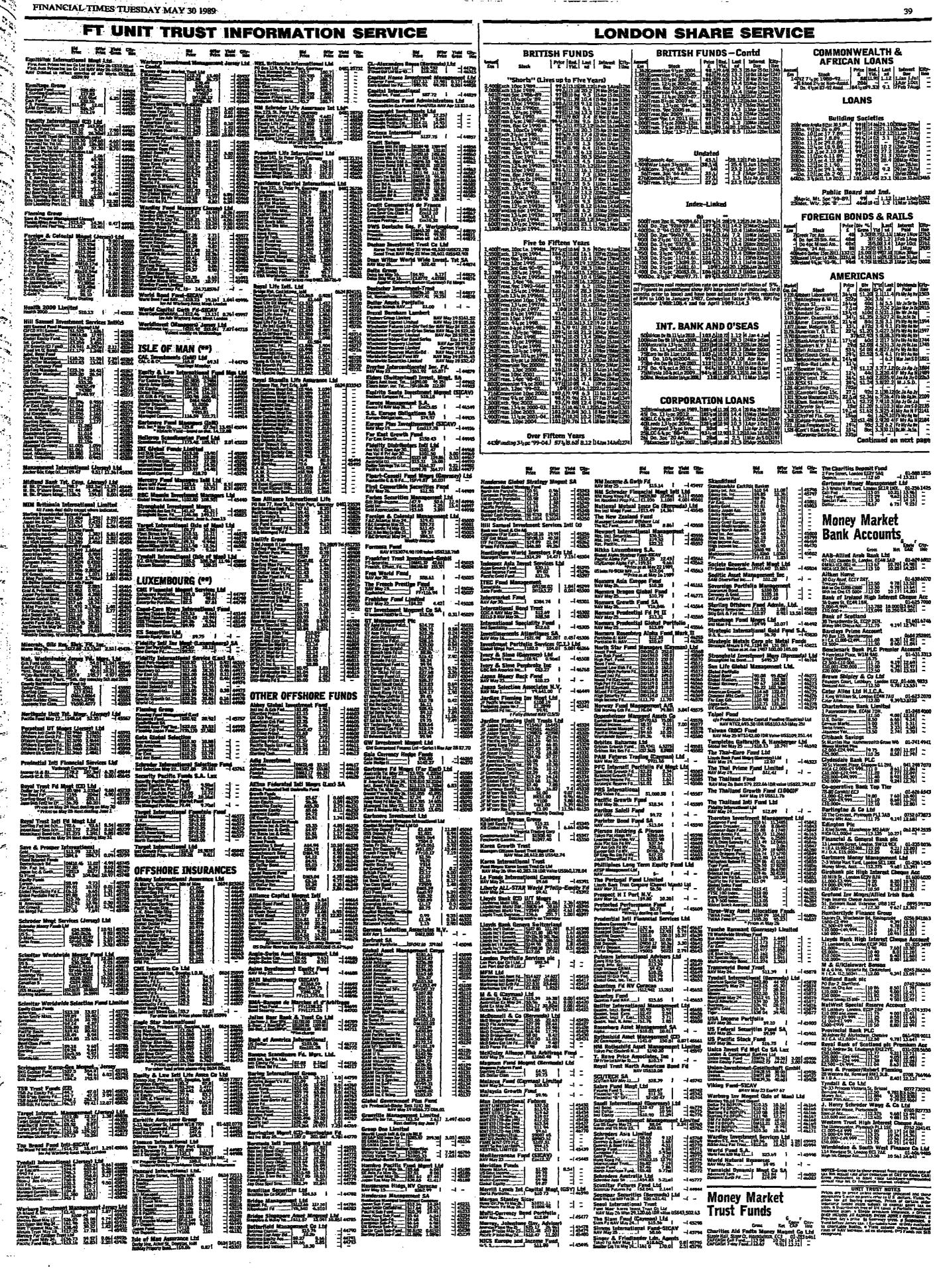


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38	FT UNIT TRUST	INFORMATION SERVICE	For Current Unit Trust Prices on any telephone ring direct-08364 + five digit code. (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT
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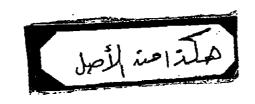
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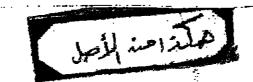
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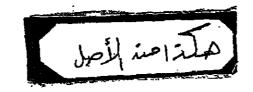


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WORLD STOCK MARKETS

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WORLD STOCK MARKETS

ASIA PACIFIC

Dollar strength depresses Nikkei

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THE STRENGTH of the dollar against the yen pushed share prices to a weaker close after an early bout of buying had lifted the Nikkel average to a record high, agencies report from Tokyo.

The market index ended lower despite the removal of uncertainties over who will be the next prime minister and over prospects for an increase in the Japanese discount rate. The Nikkei closed 30.79 easier at 34,160.83 after reaching a high of 34,337.94 near the opening on the first day of trade for June delivery. The day's low was 34,102.28.

Volume rose to 984m shares from Friday's 730m as brokers dealt actively on their own-accounts. The Topix index of all listed stocks edged up 0.11 to 2,531.27. Rising stocks led falls by 469 to 408, with 204 legges are charged.

"Investors don't have confi-dence," said Mr Takahide Furuhashi, analyst for DB Capital Markets (Asia) Ltd. The dollar is up and there's no consensus on a theme."

According to government sources, the Bank of Japan will decide today to raise its discount rate by 0.75 of a percent-age point to 3.25 per cent, effective from tomorrow. The Bank

of Japan had no comment. Mr Furuhashi said this would have no effect. "The market won't rise or fall on the

THE US market was closed yesterday for Memorial Day. In Canada, at mid-session the market was aluggish and nalxed with the composite index falling 3.8 to 3,679.70. Cinsplex Odeon jumped C3% to C316 in active trading.

rate rise this week. It's used to rate rise fits week. It's used to the idea of a 0.75-point rise."

One reason for a discount rate rise is to curb the dollar's surge against the yen. But shares yesterday fell back as the yen dropped sharply to the Yi43 level against the dollar. Some dealers said the expected 0.75 point rise has already been discounted in currency mardiscounted in currency mar-

Meanwhile, Mr Sosuke Uno, the foreign minister, is now widely forecast to succeed to the premiership later this week. This relieved some marweel in tenever some market uncertainty over who would succeed Mr Noboru Takeshita, the prime minister, who announced his resignation on April 25 following the Recruit

"It's good news for the mar-ket. Political concerns have dissipated," said Mr James Tregear, manager of Japanese equities for S.G. Warburg Securities (Japan).

Heavy electric stocks such as Hitachi, Toshiba and Mitsubishi Electric began trading higher but eased towards the close of the morning session. Toshiba topped the list of most active stocks, closing Y10 lower at Y1,390 on 66.39m shares traded. The Hang Seng index climbed 79.34 to 2,845.01 after Leading steel stocks were also weaker, with Kawasaki Steel off Y20 at Y1,030 as reaching a five-month low on Friday. Turnover fell to HK\$2.04bn from HK\$2.52bn. 20.85m shares changed hands.
Shipping Issues, on the other hand, attracted demand, and Kawasaki Kisen rose Y64 to Y970 in the third most active trading of \$2.66m shares.
The market Proc helped ini-

Blue chips were busy, with Hongkong Land rising 25 cents to HK\$9.50 in the day's most active trading. Hutchison Whampoa added 30 cents to HK\$10.30.

HK\$10.30.

Hopewell and Trafalgar Housing were suspended, fuelling speculation that Hopewell's one-for-one HK\$3.7bn rights issue had fallen through and that Trafalgar would be sold to raise cash. The Wu family has stakes in both the companies. The market was helped initially by expectations that June will see higher prices prompted by new buying by investment trusts and public profit in the second second

AUSTRALIA saw demand for resource stocks and currencyrelated issues as the Austra-lian dollar weakened. The All Ordinaries index added 5.1 to 1,585.9 and turnover reached 89.8m shares worth A\$221.7m. BHP jumped 26 cents to A\$8.54, News Corp rose 20 cents to A\$14.30 and CRA climbed 12 cents to A\$9.

SINGAPORE was con-

strained by the closure of stock markets in the UK and the US and lost ground in quiet trading. The Straits Times industrial index eased 4.09 to 1,265.49, with institutional investors staying on the side-lines as individuals took prof-

TAIWAN rebounded sharply lifting the weighted index by 323.23 to a record high of day rise this year.

Chemicals and cars boost lively Frankfurt

cents at F1 48.50.

Roundup

TRADING was mixed in Europe as some bourses ignored holidays in the US and UK and rose actively while others succumbed to an absence of foreign interest, writes Our

Markets Staff.
FRANKFURT picked up from a weak start as the strength of the dollar fuelled buying by overseas as well as domestic investors in the chemical and

The FAZ index was up 1.21 at 576.57, and the closing DAX showed a gain of 9.68 to TiM4.6bn.

The rise was also based on optimism that the Bundesbank would not raise interest rates

ويوال والمهرود في مناور والأنوال والأستان في المناور والمناور والم

OF THE HOLDERS

BANK OF HELSINKI LTD. (UNION BANK OF FINLAND LTD.) HELSINKI ECU 38.500.000 9% Subordinated Bonds Due 1996

A meeting of the holders of BANK OF HELSINKI LTD. (UNION BANK OF FINLAND Ltd.), ECU 38.500.000.- 9% Subordinated Bonds Due 1996 (the "Bonds") will be held at the office of UNION SANK OF FINLAND INTERNATIONAL S.A., 183 avenue de la Paisacerie, Lusembourg, on 6th June 1989, at 2.00 p.m. to deliberate on the following agends:

AGENDA: nt of the terms and conditions of the Bonds, article "Acceleration of

"(3) in the event of default by the Bank or any Principal Subsidiary of the Bank in the dee and practual payment of the principal of, or premium or prepayment charge (if any) or interest on any indebtedness of or assumed or guaranteed by the Bank or such Principal Subsidiary when and as the same shall become due and payable, if such default shall continue for more than any period of guee applicable therein and the time for payment of such interest, principal, premium or prepayment charge has not been effectively extended, or in the event that any such indebtedness of or assumed or guaranteed by the Bank or any such Principal Subsidiary shall have become repayable before the due date thereof as a result of actionston of maturity by reason of the occurrence of an event of default thereumder."

to delete in paragraph (4) the words "or any Principal Subsidiary of the Bank";

to delete in paragraph (7) the words "or any Principal Subsidiary of the Bank", "or any of its Principal Subsidiaries" and "or of any of its Principal Subsidiaries":

to delete the last paragraph which reads at present time as follows:

"Principal Subsidiary" shall mean (a) any subsidiary of the Bunk the total search of which constitute (or have within the previous three years constituted) more than 15% in value of the total assets of the Bank and all its subsidiaries, or (b) any subsidiary of the Bank the not income of which constitutes (or has within the any subsidiary of the Bank the not income of which constitutes (or has within the

Resolutions on the agends of the Meeting will require that at least 50 per cent of the total outstanding Bonds are present or represented at the meeting. Should such quorum not be reached, a second meeting would then be convened. At such adjourned Meeting no quorum will be required.

For the purpose of obtaining voting entificates or appointing presses the helders are required to deposit their Boads at the latest two business days prior to the meeting at the office of KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg, (ettestion: Mr. Business SCHMITZ) or at the above mentioned office of UNION BANK OF FINLAND INTERNATIONAL S.A., Louenbourg, (attention: Mr. Bernard LANCIN).

previous three years constituted) more than 15% of the aggregate not the Bank and all its subaldiaries.

in the Mesting, a majority of two thirds will be required for rest from of the asceda.

The Board of Manager

Fiduciary Trust (International) S.A., Geneva, which opened in 1969 as a wholly-owned subsidiary of Fiduciary Trust Company International, New York, has announced the acquisition of C.F.E.G. - Compagnie Financier d'Etudes et de Gestion S.A., Geneva founded in 1973. Both companies have specialised in the management, on a customised basis, of accurities' portfolios for principle of the property investigationally.

Both CFEG, which has been renamed "Fiduciary Trust International (Suisse), S.A.," and Fiduciary Trust (International) S.A. have office at 8, rue Saint-Leger, Geneva. Michel de Selya Longchamps and Philippe Dubois have been appointed appointed directors of Fiduciary Trust International (Suisse) S.A. and are serving as general manager and manager representatively of the company.

Fiduciary Trust Company International and its subsidiaries have

requirary trust Company international and its substitutes have responsibilities for client investment assets approaching \$18 billion equivalent in value and act as custodian for investment assets valued at over \$40 billion equivalent. It is known as one of the pioneers of global investment management.

This notice is issued by Fiduciary Trust (International) S.A., a

private clients investing internationally.

to delete paragraph (3) which reads at present time as follows.

again at its council meeting on Thursday. This followed com-ments by Mr Rarl Otto Pöhl,

Bundesbank president, that monetary tightening in the past 12 months was beginning to have the desired effect.

Car stock Porsche, which has large exports to the US, benefited from the dollar effect advencing DM 19 50 to effect, advancing DM19.50 to DM756.50, while in chemicals BASP gained DM6 to DM313.50.

PARIS saw profit-taking after reaching an all-time high on Friday, with activity restrained by the absence of rading in the US and UK. The CAC General index eased 0.7 to 477.8 while the CAC 40 lost 1.65 to 1.719.27. The OMF 50 index

slipped 0.13 to 494.12, Havas rose FFr12 to FFr981 on both speculative and funda-

institutions. Investors were rotating through laggard

number of investment trust

funds are expected to be set up in Jene, parity to catch a flood of employee bonness.

Investors shopped for bar-gains below the market aver-

age of Y1,504, which was one

higher, with the OSE average rising 104.45 to 38,119.19 as

DEVELOPMENTS in China

helped Hong Kong recoup some of last week's losses, while Australia benefited from

an easing in the local currency. Singapore saw profit-taking.

HONG KONG benefited from

bargain-hunting as political

events in China appeared more settled, and share prices jumped by almost 3 per cent.

eason shipping stocks rose. In Osaka, share prices ended

85m shares changed

mes most of the day. A large

mental demand.

AMSTERDAM had a quiet day, with turnover of only FI 405m. The CBS tendency index edged up 0.4 to 179.4 as interest focused on dollar earners. Internationals were mostly firm, with Royal Dutch up Fl 130 at Fl 141.80 and KLM up 80

ZURICH saw selective demand in late trading but fin-ished little changed amid interest rate concerns. The Crédit Suisse index eased 0.2 to 550.3.

MADRID kept climbing as investors sought utility stocks and the general index rose 2.56

to 312.69. Volume was some what restricted by uncon-firmed reports of a possible strike at the exchange today. MILAN was boosted by enthusiasm for Flat, whose car division reported a 15 per cent

rise in 1968 profits. The group is due to report today. The Comit index rose 5.78 to 609.18 and Flat moved up L160 to L9.300.

STOCKHOLM had a thin day's trading with turnover reaching only SKr179m in value. The Affarsvärlden index added 2.8 to 1,180.2. South African shares clos lower in quiet trading as the bullion price eased in line with the dollar's rebound.

THE THARSIS PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of THE THARSIS PUBLIC LIMITED COMPANY will be held at Nunez de Baiboa 120 Medrid 28003 on Friday, 23rd June 1989 at 12.00 noon for the following purposes:

1. To consider and adopt the Report of the Directors and the Accounts for the

year encode a lat December lade with the respect of the Auditor's there on and declare a final dividend (Resolution No. 1)

2. To re-elect Directors (Resolution No. 2-5)

3. To re-elect Directors (Resolution No. 2-5)

4. To re-elect Directors (Resolution No. 6)

5. To re-elect Directors (Resolution No. 6)

The dividend if authorized at the Amusta General Meeting with be payable on or after 20th June, 1009 as follows:

(1) By dividend Warrant to Registered Shareholders on the Register at 2nd June, 1004

(2) To Holders of Share Warrants to Stagrer on presentation of their

(2) To Holders of Share Warrants to Basrer on presentation of their warran any of the tollowing offices:
Bank of Scottand, 55 Old Broad Street, London EC2P 2HL
Lezard Freres at Cle, 121 Boulaward Haustamann, Paris
Bengue Generate du Lucembourg S.A., 14 rue Aldringer, Lucembourg
Banco Santander, 10 Moorgate, London EC2R SLD.
Banco Santander, 30 sevenue de l'Opera, Paris 75002.
Banco Bilbao Vizcaya, 100 Canon Street, London EC4N SEH.
Banco Bilbao Vizcaya, 29 sevenue de l'Opera, Paris 75002.
Having regard to the considerable explane which will be involved in the issue new coupon sheets to holders of Share Warrants to Bearer, the Directors the right to bring to shareholders attention the advantage of having their holders of the describes which may be allotted on e ceptalisation or rights issue are recon the due date and without incurring collection or hendling charges which be considerable and, in the case of small holdings can exceed the amout dividend collection.

The Directors urge shareholders to consider seriously the conversion of their holding into registered form. A "Conversion Form" can be obtained from: Registrars and Transfer Office, BANK OF SCOTLAND.

Registered Office: 136 West George Street GLASGOW G2 2HF. 20th May, 1989

1. Any member of the Company entitled to attend and vote at the Annual General Meeting convened by the foregoing Notice is entitled to expoint on or more protes to attend and, on a poll, vote on his behalf. A proxy need not be a Member of the Company. To be effective, forms of proxy must be deposited at the Sank of Scotland, Registrer Department, 25s York Place, Edinburgh, hot less than 48 hours before the time apprinted for the meeting.

Holders of Share Warrants to Bearer who wish to be present at the Meeting or yone by proxy may obtain instructions from the Registered Office of the Company or from the following appointed deposits/les;

Lazard France et Cio., 121 Bouleveré Haussmann Paris 6e; Banque Vernes et Comperciale de Paris, 52 Av. Hoche, Paris 5e; Banque de Paris et des Pays-Bes, 3 rue d'Antin, Paris, 2e; Credit Suisse Lausanne, Switzerland. Lloyds Bank (Beiglque) S.A., 2 Av. de Tervuerene, Brussels 1040. Banque Generale du Luxembourg S.A., 14 rue Aldringer, Luxembo

3. There are no contracts of service between the Directors and the Company at the date of this notice.

THE ROYAL BANK OF CANADA US\$350,000,000

tions of the Debentures, the interest rate for the period 31st May 1989 to per cent per annum. On 30th June. in of US\$8,177083 per US\$1,000 no amount of the debentures will be due for payment. The rate of interest for the packed commending 30th June 1989 will be determined on 28th June 1989.

ORION ROYAL BANK LIMITED Agent Bank and Prio

> HOLIDAYS & TRAVEL

PROT AND CLUB Case bargains to and from the USA Also Economy Specials each week. Ring Travel Netburst on 01-727 3061 but 7 or 01-522-045.

EVE has quiltud the others because of a policy on fair play and value for money, Supper from 10-230 am. Disco and tra-musicians, glemorous hostesses, exching thoughous_01-734 0557. 189, Regent

CLUBS

PANTHER LTD Series A US\$68,500,000 Secured Floating Rate Notes due 1995

secured by first charge over Yea 10,000,000,000 aggregate principal amount of ASLK-CGER Finance N.V. Finance N.V.

5½ per cent. Variable Redemption
Amount Notes due 1955 guaranteed
by Algement Span-en Liffrentries,
Caisse Générale d'Epargen et de

ART GALLERIES

LEGER11,Old Bond \$1,W1.51-529 3538 BOTTSN PANTING,Mon-Fri 9,30-5,30.

East Rand Gold and Uranium Company Limited

(Incorporated in the Republic of South Africa)
Registration No. 71/07001/06

Profit available for distribution increases by 32 per cent Review by the Chairman Mr E P Gush

Financial results and comments

The company recorded another good year with profit available for distribution increasing by 32 per cent to R65.5 million. Dividends of R61.4 million or 135 cents per share were declared compared with 115 cents per share in the previous year and retained earnings increiby R4.0 million to a more appropriate level.

Record levels in the production of both gold and acid were achieved at

11 982 kilograms and 542 000 tons respectively, while uranium oxide production was 10 per cent higher than the previous year at 180 tons. This increased production, coupled with an 8 per cent increase in the gold price to R32 148 per kilogram, resulted in tumover rising by 21 per cent to R451.3 million. However, the gold price increase was, for the second successive year, lower than the general rise in working costs. Despite this further narrowing of profit margins, the higher production levels resulted in operating profit increasing by R24.3 million to R133.4 million. After adding net sundry income of R12.0 million, profit before tax improved by 33 per cent to R145.4 million. Taxation at R41.4 million. was significantly higher than in previous year largely because of the higher profit and 16 per cent lower capital expenditure of R38.5 million. The low and erratic grades of the underground ore-reclamation section at Simmergo, coupled with increasing labour cost, led to the closure of this operation in August 1988. The majority of the workforce opted for a severance package rather than re-employment with associated companies. The closure of the underground operation has led to lower overall grades at the Simmergo Division, although unit costs have declined by 10 per cent.

In order to ensure a quicker return on the initial investment and In order to ensure a quicker return on the initial investment and because most of the higher grade reserves were located closer to the plant, the company has followed the policy, established at the start of operations, of treating the higher grade reserves first. As a result of the policy, the in situ gold value of slimes delivered to the Ergo Division has declined steadily from 0.80 grams per ton at the start of operations in 1979 to the present 0.56 grams per ton and 0.53 grams per ton expected next year. This decrease in grade will continue at all divisions in the future as higher grade meaning are deplated and efforts will in the future as higher grade reserves are depleted, and efforts will continue to be made to counter the effect of the lower grades by Improving gold recoveries. At Ergo Division, recoveries have improved from 39 per cent at the start of the operation in 1979 to 58 per cent at present and residue grades have declined from 0.57 grams per ton to 0.24 grams per ton. This is a significant achievement especially in view of the decline in head grades.

Tax reform

Following the publication of the findings of the Margo Commission of Inquiry Into Taxation, a Technical Committee was appointed to investigate all aspects of mining tax. The most important of the recommendations made by this Committee is that the average effective tax rate applicable to gold mines should be equivalent to that imposed in other industries. The government has indicated a broad acceptance of the Technical Committee's proposals, and the first step towards reducing the high marginal tax rates on all mines has been taken. Unfortunately, the lack of a clearly-defined timetable for phasing in the proposals, including the abolition of lease payments and surcharges, and the continuing inflexibility regarding 'ring-fencing', will hinder the long-term planning process inherent in mining-investment decisions. It is hoped that these problems will be remedied soon.

If accepted in toto, the recommendations should benefit most existing mines and provide a more favourable climate for investment in new gold mines. Provided profit margins do not deteriorate significantly, the implication for Ergo is that the rate of taxation should be slightly lower.

The three-year-old rally in the gold market faltered in 1988; the gold price corrected to \$410 per ounce at the end of 1988 and traded between \$395 per ounce and \$385 per ounce for most of the first quarter of 1989. The combination of a weaker gold price and a stronger dollar during the period covered by this review caused the rand to lose ground rapidly from its opening level of R2.12 against the dollar, to close the year at R2.55. This allowed a higher rand realisation for gold but unfortunately not enough to compensate for inflation.

eased under the pressures of continually increasing supply and a dull investment market in the West. In 1988 official imports of gold into

Taiwan exceeded 330 tons compared with only 57 tons in 1987. These higher imports resulted from a combination of official purchases of bullion aimed at improving trade with the USA and a liberalising of regulations controlling private purchases of bullion. Imports of gold into Japan reached 319 tons, compared with 239 tons in 1987. However, these record levels of demand in the Far East served only 10 compensate for the reduced interest shown by Western investors in the metal. New production of gold continued to increase in 1988, and similar growth in production is forecast in 1989 and 1990. Supply of gold to the market could be further increased by the continuing use of gold loans which, in 1988, saw as much as 200 tons of gold borrowed from bank reserves and sold to the market, to finance certain gold mine capital projects, However, at some stage, these loans will have to be repaid and this should reduce the supply of newly mined gold to the

During 1988, the US/Canadian Free Trade Treaty was signed and the US uranium producers' lawsuit to secure an embargo on non-US uranium into the USA was finally quashed. With no turther likelihood of political preference in favour of US uranium, the premium paid in the market-place for US uranium disappeared, and holders of US uranium inventories released this material into the spot market. This has kept the market under pressure, and the spot price fell to a record low of US\$10.70 per pound in March 1989. This weakness in the price has caused several South African producers to withdraw from the market.

The continuing high rate of cost inflation is of great concern to the whole mining industry and every endeavour is being made to contain costs and develop improved systems and technology to combat inflationary pressures. The reduction in the high level of inflation must surely rank as one of the government's highest priorities. No matter how unpalatable this may be it is vital that government commits itself to curtailing its high level of expenditure, limits itself to essentials and avoids duplication of structures as tar as possible. Discipline is required at all levels of the economy and if the authorities do not take the lead the danger of accelerated inflation, with all its repercussions, will

Industrial relations

In contrast to 1987 when most of the company's black workforce staged a 16-day wage-related stride, the industrial climate during the past year improved significantly. Agreement was reached in wage and salary negotiations with all employee-representative organisations without recourse to strike ballots or strike action. Although several minor disputes with some of the unions occurred, there was little industrial action at any of the divisions during the year compared with a loss of approximately 22 000 man-days in the previous year. The company is still engaged in discussions with the National Union of Mineworkers (NUM) following the events of the 1987 negotiations.

Since the 1987 strike the industrial Court has ruled in Ergo's favour on a number of actions involving unfair labour practices by the NUM. However, during the year the Industrial Court ruled in favour of the NUM in a dispute regarding refusal by the company to back-date wage increases in 1987 to workers who participated in strike action. The ruling was, however, referred to the Labour Appeal Court which found in favour of the company.

The response to the Anglo American Group Employee Shareholder Scheme mentioned last year was most gratifying. Of a total of 1 470 eligible employees at Ergo, 1 400 or 95 per cent accepted the offer of five shares in Anglo American Corporation free of consideration. Ergo is to participate in the scheme for a second year and we expect that many of the eligible employees who declined the first offer will accept the current offer.

I wish to thank management and all employees at the plants and at head office for their considerable efforts and commitment which continue to make Ergo a profitable operation.

erac

London Office: 40 Holbom Viaduct London EC1P 1AJ

MERCURY SELECTED TRUST (SICAV) Registered Office: 10, boulevard Roosevelt, Botte Postale 408, L-2014 Luxembourg, Grand-Duchy of Luxembourg, R.C. Luxembourg No. B.6317

NOTICE OF ANNUAL GENERAL MEETING AND OF EXTRAORDINARY GENERAL MEETING

The Annual General Meeting and an Extraordinary General Meeting of Share-holders of Mercury Selected Trust will be held at 10, boulevard Roosevek, Luxembourg, at 11.00 a.m. and 11.10 a.m. (or as soon as practicable thereaf-ter) respectively on 15th June, 1989 for the purposes of considering and

Acenda of the Annual General Meeting of Shareholders To accept the Directors' and Auditors' reports and to approve the financial statements for the year ended 31st December, 1988. To declare such dividends for the year to 31st December, 1988 as may be

recommended by the Board in accordance with the dividend policy of the Company, and to fix their date of payment. To discharge the Directors and the Auditors from their responsibilities for all actions taken within their mandates during the year to 31st December,

To decide on any other business which may properly come before the

Agenda of the Extraordinary General Meeting of Shareho To resolve that consent is given so far as necessary under Article 27 of the Articles of Association to the reorganisation of the fee structure of the Company as described in the Explanatory Note sent to Registered Shareholders with this Notice with such modifications as may be required by

To resolve that Article 4 of the Articles of Association be amended:

(a) by amending paragraph (3) to read as follows: by emending paragraph (3) to read as follows:

"The Company may invest in transferable securities admitted to official listing on stock exchanges, or dealt in on regulated markets which operate regularly and are recognised and open to the public, in member countries of the O.E.C.D., member countries of the Europeen Community ("Member States"), Brazil, Hong Kong, Malaysia, Mexico, Philippines, Singapore, South Korea, Tahvan and Thalkand and may, subject to the Law, invest in recently issued transferable securities the terms of issue of which provide that application be made for admission to official listing on any such stock exchange, or to any such regulated market.";

to any such regulated market."; amending paragraph (4) to read as follows:

"The Company may, if the Directors so determine, and subject to the Lew, invest 35 per cent. or more of its net assets in transferable securities issued or gueranteed by any Member State, any local authority of any Member State, any nember country of the O.E.C.D. or any public international body of which at least one Member State by adding the following additional paragraph:

(5) The Company may, subject to end in the circumstances permitted by the Law, invest in other investment funds recognised by the Law as UCTS provided that in the case of a UCTS linked to the Company by common management or control or by a substantial direct or indirect holding or managed by the Manager or another management company linked in like manner to the Manager, such UCITS has specialised in investment in a specific geographical area or economic

To resolve that:

(a) Articles 1, 2, 6, 7, 12, 13, 14, 15, 16, 17, 21, 27, 28, 31, 34, 35, 37 and 38 be amended; Article 32 be deleted, Article 33 be renumbered as Article 32 and Article 34 be divided into two Articles numbered 33 and 34;

(c) a new Article 38 be added and the remaining Articles (as amended) be renumbered in sequence such amendments involving primarily the changes described in the Explanatory Note sent to Registered Shareholders with this Notice and by making such other amendments to the Articles of Association as may be necessary pursuant to the Law or required by any competent regulatory or fisting authority.

Resolutions on the Agenda of the Annual General Meeting of Shareholders and Resolution Number 5 on the Agenda of the Extraordinary General Meeting of Shareholders may be passed by a simple majority of the votes cast thereon at the Meeting with no requirement as to quorum. Resolutions Numbers 6 and 7 on the Agenda of the Extraordinary General Meeting of Shareholders may be passed with a quorum of 50 per cent. of the Issued Shares by a majority of 75

In order to vote at the Meetings:

 the holders of bearer Shares must deposit their Shares not later than 9th June, 1989 either at the registered office of the Company, or with any bank or financial institution acceptable to the Comor with any bank or martical institution scorptions to the Company, and the relative Deposit Receipts (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 9th June, 1989. The Shares so deposited will remain blocked until the day after the Meeting or any adjournment thereof;

the holders of registered Shares need not deposit their certificates but can be present in person or represented by a duly appointed

Shareholders who cannot attend the Meeting in person are invite Shareholders who cannot attend the Meeting in person are invited to send a duty completed and signed proxy form to the registered office of the Company to entire not later than 8th June, 1989. Proxy forms will be sent to registered Shareholders with a copy of this Notice and can also be obtained from the registered office. A person appointed a proxy need not be a holder of Shares in the Company; lodging of a proxy form will not prevent a Shareholder from attending the Meeting if he subsequently decides to do ao.

Further Meeting

If a quorum is not present at the Extraordinary General Meeting of Shareholders for the purposes of considering and voting on Resolutions Numbers 6 and 7, a further Extraordinary General Meeting will be convened and held at the same address on 24th July, 1989 at 11.00 a.m. to consider and vote on such Resolutions. At such Meeting there will be no quorum requirement and the Resolutions on the Agenda will be passed by a majority of two thirds of the votes cast thereon at the Meeting.

Shareholders are advised that a draft (which is subject to modification, Interalia, to comply with the requirements of the competent authority and listing
authorities) of the detailed changes proposed to the Articles of Association of
the Company is available for inspection at the registered office of the Company

S.G. Warburg & Co. Ltd., Paying Agency.

2, Finebury Avenue,
LONDON, EC2M 2PA

Commerzbank AG. FRANKFURT/MAIN, DUSSELDORF, HAMBURG

A dreft of the Articles of Association as amended will be available for inspection at the Meeting. None of the directors has a service contract with the

In the opinion of the Directors the alterations to the Articles of Association proposed in Resolution Numbers 6 and 7 are in the interests of the Company and its Shareholders and the proposed new changing structure is justifiable. Accordingly, the Directors recommend that all Shareholders vote in fevour of the Resolutions set out above.

25th May, 1989

The Board of Directors

member of the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA) in the UK. Fiduciary Trust Company International is also a member of FIMBRA. The rules made by FIMBRA and the rules and regulations made under the UK Financial Services Act 1986 for the protection of investors do not generally apply to investment business carried on outside



A Japanese lesson in the limits of finance

he quest to unravel the secrets of Japanese manufacturing and apply them on the other side of the world has become one of the most popular pastimes of management consultants.

What is more controversial is whether Western managers have anything to learn from Japanese finance and its finan-

cial services industry. The positive view is held not only by enthusiasts for the wholesale imitation of everything Japanese but also by many academics and politiclans of the new make-capital-ism-work-better left. They argue that the obsession of the City and Wall Street with quarterly results, dealing profits and takeover bids, has pushed Western managers into a narrow, myopic approach towards investment projects. By contrast, the involvement of Japanese banks in industrial management and their network of long-term relation-ships has allowed Japanese corporate management to sacrifice short-term profit for long-term market share.

At the other end of the spectrum are those who pour scorn on the lack of sophistication and the blunders of the Japanese financial system. They point to the trillions of yen that Japanese corporate treasurers and investment manag-

ers have lost from their invest-ment in US Treasury bonds. The critics also highlight the rush since 1984 by Japanese companies to issue Eurobond warrants, worth more than; \$100bn, usually on generous terms to investors. This, they say, is a classic example of how wily Western bankers have exploited their naive belief in a free lunch.

The third focus of criticism is on the internal management and low service standards of the supposedly all-powerful Japanese banks: customers are typically kept waiting for 30 minutes or more while all the paper involved in a simple transaction is processed on the spot and even small decisions are referred up the hierarchy.

Equal obsession with the short term

Both views are seriously flawed. Japanese companies are just as interested as Western companies in short-term results and performance although they often focus more on the monthly sales fig-ures and market shares of themselves and their competitors than on profits. And the banks' influence has waned, as companies' borrowings fall and the value of their cash, land and securities rise.

But the critics also exaggerate. The US T-bond losses of the Japanese are small in relation to their enormous assets which could have found few other overseas outlets of sufficient depth and liquidity.

The Japanese have been learning Western financial chniques fast. Five years ago it was difficult to find senior financial officers or investment managers who were even aware of discounted cash flow (DCF) or risk analysis. Today they talk about betas, deltas hedge ratios and volatility with as much fluency as Wall Street investment bankers.

However, crucial differences remain. Japanese companies have many more engineers and many fewer specialist accountants than British com-panies. In a few decentralised Japanese companies such as Matsushita, the finance director wields comparable power and employs teams of accountants (albeit with much broader training in marketing and production) to watch over and "navigate" for subsidiaries. But even Matsushita eschews formal DCF capital budgeting procedures. Information on markets, technology and competitors appears to be collected with remorseless energy before investment decisions are made - but there is no attempt to reduce it

all to figures. In other large Japanese companies, the finance director has little role in vetting or vetoing investment decisions. He just has to find the finance to implement decisions made on broader strategic grounds.

A study last year by the London Business School of UK companies' strategic invest-ment decisions concluded that they were only "about 2 per cent to do with finance." Then why do these companies pay so much for advisers and intermediaries from their overgrown financial sectors?

Clive Wolman | perform the task

not seem to be a man who is easily irritated. To the press, at least, he appears unfailingly polite and willing to accept criticism — even of a hostile kind. "It's a point of view," he says. Or "you've got to take the rough with the

smooth.' When he talks, as he frequently does, about matters of grand strategy, he punctuates his remarks with self-deprecatory asides in case anyone thinks he is getting too pompous. It is not at all easy to pin

him down.

These qualities have served him well during the past few weeks, during which his company, WPP Group, made a takeover bid for the world's fifth largest advertising agency, the Ogilvy Group. Although it has all ended in sweet agreement, it started off as a hostile battle and Sorrell himself was subject to an himself was subject to an extraordinary stream of per-sonal abuse from the Madison Avenue establishment. "Odious little jerk" was not the most offensive of the insults.

Was he upset or angered by all this? "Neither." Has he been annoyed by anything at all in the last four weeks? "Yes – but nothing to do with the

How did he square things with David Ogilvy, founder of the US firm and a main source of virulent anti-Sorrell diatribes only days before he agreed to become chairman of WPP itself if the bid went through? "I'm sure he was misquoted," Sorrell answers with an impenetrable smile. "That is what I said to him, and he said 'Yes, I was. I said even worse things about you'." The relationship between the

volcanic Mr Ogilvy and the dis-arming Mr Sorrell need not be too testing. WPP's formal board meetings are infrequent affairs, and Ogilvy retired to his French chateau years ago. But he still peppers people with memos: Sorrell admits to having received a couple

What Ogilvy and everybody else must want to know is why Sorrell decided to mount a second enormous bid only two years after acquiring the J. Walter Thompson agency, and what he will do with the business now he has got it. Sorrell rehearses his arguments in the manner of one who has been through it all many times before. WPP's idea since he moved in just four years ago has been to build a business where the creative people can look after their clients and the

Interview

A crisply laundered takeover victor

Richard Lambert talks to Martin Sorrell, chief executive of WPP

chores of running the business are left to professional admin-istrators like Sorrell.

The business opportunities, he says, arise from the fact that the big clients of advertising and marketing services companies have become much more complex in terms of function and more diverse in terms of geography. WPP wants to be

PERSONAL FILE

1963-68 educated Cambridge University and Harvard Graduate School of Business Administration 1968-69 Consultant Glendinning Associates, West-

port, Connecticut 1970-74 Vice president Mark McCormack Organisa-1975-77 Director James Gulliver Associates

1977-86 Group financial director Seatchi & Saatchi 1986- Group chief executive WPP Group 1988 Non-executive director

Budgens

able to meet their needs by offering a top quality service in the areas where it is needed. Although they try to pretend otherwise, even the largest advertising agencies are quite small in comparison with their main customers. This matters, because they have to meet the needs of clients that have much larger resources than they have themselves. In other

words, if the customer pops up in south-east Asia, the agency has to do the same or risk losing the business.

However, Sorrell shows a rare spark of displeasure in dismissing the thought that WPP is trying to set up a one-stop shop. That is not the idea at all. The group is deliberately set up in such a way that all its businesses are run on an independent, autonomous basis, and client companies can pick and choose whatever service they want, wherever and whenever they like. He also admits that there are no economies of scale in this busi-ness — rather the opposite — and that arguments about the development of global market-ing are often overdone. So why own two big agencies, rather than just one?

Here the argument gets a little airy fairy. Just as major manufacturers in the consumer goods sector have devel-oped different brands to compete in the marketplace, so there are different segments in the advertising market which have to be attacked with different "brands" like JWT or Ogilvy and Mather. They are not just businesses: their names represent a certain culture and a particular set of values which have a value in their own right.

You may think this is a little insubstantial, but WPP's auditors don't: the JWT brand names have been revalued in the current set of accounts,

'A business where creative people can look after their clients and the

turning shareholders' funds from a negative to a roundly positive figure. No doubt the Ogllvy "brands" will eventu-ally get the same treatment.

In any event, the main job now is to get ahead with run-ning the business and making the concepts work. Although there are still some areas of weakness, Sorrell says that, by and large. WPP now has the coverage it needs. Little is given away about what he isactually going to do with Oglivy: it seems that it will be run as an independent business under existing management, and kept quite separate from J. Walter Thompson. But Sorrell believes that the acquisition's profit margins can be boosted significantly from their current levels, and he says there is clear scope for gaming new business by way of cross-referrals from one part of the group to another.

Ogilvy and JWT, he adds, have a complementary client base, which should minimise the potential conflicts of interest arising from common ownership, and they fit well together geographically. Ogilvy is relatively strong in Europe and Australasia, which are both seen as attractive growth although Sorrell says he does In the manner of the busi-

ness school graduate that he is, Sorrell talks without a blush about things like "excellence" and of being leaner and mea-ner, and his conversation is sprinkled with references to academics like Theodore Levitt or David Maister. The best firms, it seems, are divided into hunters and farmers, and you must decide yourself whether you wish to be a streetfighter or a high priest. Or something like that. Sorrell's choice of business

heroes is intriguing the list includes the Lords Weinstock and Hanson, Sir Jules Thorn, and Warren Buffett, the sage of Omaha, who is one of Amer-ica's most successful investors. He also speaks with admira-tion of James Gulliver, one of his early employers, whom he describes as one of the few people able to combine entrepreneurial vigour with manage-

What about Saatchi & Saatchi, where he served as finance director for nine years before striking off on his own with WPP? They are not men-tioned in the list of heroes, and

not want to draw direct paral-lels between Sastchi and WPP, he does some delicate knife work when it comes to describing the differences between the two groups.
Thus four strategy is more

Thus "our strategy is more focused; we don't have a consulting operation." The way the businesses are run is different, too. "We are a bit more involved ... by which I mean there is less absented landlordism." He also says that so called "earn-outs" — future payments for past acquisitions—represent a much bigger part of Sastchi's business than of WPP's. of WPP's

Saatchi has been right out of favour in the City lately and Sorrell himself is no longer sorren minsen is no onger everyone's favourite pin-up. WPP's shares reacted badly to the Ogilvy bid, which repre-sents an enormous mouthful for the UK group and which is being partly financed by a substantial issue of preference shares and subscription warrants. But Sorrell is philosophic. He is not pleased about the recent share price perfor-mance, but then he is not in business on a three, four or

five year view: he is going for

chores of running the business are left to professional administrators the long haul. "It would be churlish of me to complain about it (the share price) now, having benefited from it two years ago," he says. "If you believe this is right for the company and right for the citents, you have to go ahead and do it."

A lot of City favourites have come unstuck lately, some times by going for a deal too far. Despite the recent weak-ness of the shares. Sorrell is still held in high regard and he says he does not lie awake at a light warrant. says he does not he awake at night worrying about the examples of the fallen heroes. But in the same breath, he refers to some research that was done on what made partic-ular athletes successful. The most common factor was fear of failure.

After an hour of more or less impertinent questions (which follows an overnight flight from New York) Sorrell remains totally unruffled, not a hair out of place, shirt sleeves crisply laundered. You can see why he gets them so het up on Madison Avenue: anyone less like the stereotype figure of a ficult to imagine.

One in the eye for au newspapers

Restitution is the under-lying principle of awards damages in English law. So far as money can possibly secure it, the law intends that the victim of a wrongdoing should be restored to the state he or she would have been in had the wrong not been committed. In only a few instances does

the law sanction an award that is intended not merely to compensate the victim but to punish, and thereby mark the socially unacceptable nature of the wrongdoer's conduct.

That exceptional rule indis-putably explains the record amount of £600,000 awarded to Mrs Sonia Sutcliffe against the publishers of Private Eye. No one could pretend that the astronomic award is noth-

ing more than commensurate with Mrs Sutcliffe's loss of reputation. A large slice of the 2600,000 represented one in the eye for all newspapers (indis-criminately lumped together in public perception) that nowadays attract much public

Yet the volume of protest ster the volume of protest should have been stifled a long time ago. For nearly two decades, judges and lawyers have urged that the right of juries in libel actions to give punitive damages to plaintiffs in certain circumstances – a right which is embedded pecu-liarly in English law – ought

to be removed. Broadly speaking, juries are told that if they think that the publisher of a libel has know-ingly and wilfully peddled untruths for his own profit. punitive damages over and above an amount appropriate to compensate for injury to reputation may be added for good measure. Once a jury is properly told when they may inflict punishment on a defa-

mer the sky is almost the limit. Juries, lacking experience of the law and the proper bound-aries of punishment, not infrequently are swayed by emotional considerations which a judge is trained to put out of his mind. And there is no effective appeal against the punish-

All that a reviewing court can do is to quash the jury's verdict if it thinks that the punishment is more than 12 reasonable people could possi-bly have awarded. The Court of Appeal is powerless to substitute its own award. Another jury has to be empanelled to



JUSTINIAN

It is not as if the wrongdoer, exemplary damages, is free from punishment in unsuccessfully defending a libel action. A heavy, indeed often exorbitant punitive element lies in the costs system of litigation. Unlike most other systems the loser normally has to pay to the winner the latter's expenses of going to law.

In 1972, the House of Lords in a famous libel action pointed out the objections to the power of juries to award punitive damages. The power confuses the functions of the civil and of the criminal law. And it imposes a penal sanction without even the safe-

The power of juries to award punitive damages confuses the functions of the civil and of the criminal law.

guards of the criminal justice

It is no answer to say that sympathy should not be wasted on people who behave outrageously. Are we wasting sympathy on dangerous crimi-nals when we insist on proper legal safeguards before we convict and sentence them?

Furthermore, juries are apt to forget that in awarding damages they are not making any contribution to the local rates or to the revenues of central government. The fine that they are imposing comes not to swell the confers of the state but in the form of an unexpected windfall to the victim. Given that the law of Scotland does not recognise puni-tive damages, and the judicial

distaste for its extended life in England, there is little wonder that a departmental committee in 1975 should have firmly recommended its instant demise. Two years later, the Royal Commission on the Press noted that this was the most important recommendation about damages that the committee

had made.

The invitation, if not entreaty, to legislate away a provision that potentially inflicts too severe a blow on publishers of defamatory matter continues however to fall

on deaf politicians' ears.

The report of the 1975 departmental committee has been inexcusably allowed to lie fallow. In 1982, the Government announced that it had no plan for implementing the commit tee's proposals.

For nearly four years, from 1971 to 1975, 10 experts from a range of professional disci-plines laboured over the law, practice and procedure relating to actions for defamation (one of its members is now the senior Law Lord, Lord Keith of Rinkel). The committee produced a report of nearly 200 pages and a draft bill of 41 clauses. Its verdict on the law of defamation may not have been shaped in the contemporary style of radical reform, but it certainly formed a logical progression to its predeces-sor in the laudable aim of simplifying the law.

In announcing last week that the Lord Chancellor had initi-ated a review of the law of defamation, to work in tandem with the Government's review of "privacy and related mat-ters", the Government has given the impression of prompt response to an unacceptable piece of recently discovered unreformed law. Tardiness in implementing the sensible recommendations of independent committee reports is no doubt a facet of all govern-ments. The law of libel is just one of the many casualties of political inactivism.

But instead of resisting legislative proposals recently prompted and designed to protect the individual from the outcrop of irresponsible jour-nalism, the Government would do better to ensure the proper balance between the public right to freedom of the press and the rights of the private citizen. And that means paying due attention to well-thoughtout proposals for reform of the relating to the media.

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